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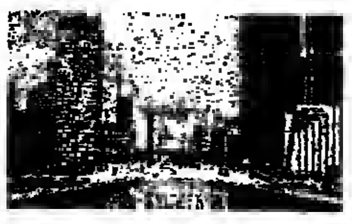

Uneven recovery
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TOMORROW'S **Weekend FT**
Countdown to meltdown

World Business Newspaper
FRIDAY MARCH 8 1996

Shrinking GDP adds to Germany's economic gloom

German gross domestic product contracted by 0.5 per cent during the fourth quarter last year, according to the Federal Statistics Office. Its data added to the current gloom about the German economy and come a day after the Federal Labour Office announced another postwar unemployment record, with 4.3m people out of work in February – 11.1 per cent of the workforce. Page 16

Warning on Japan budget impasse: The economy would suffer unless Japan's feuding politicians quickly ended their four-day budget impasse, the Keidanren business federation warned. Keidanren chairman Shoichiro Toyoda said any further delay "will shake confidence in domestic and foreign markets". Page 16

UK rate cut expected today: The chancellor of the exchequer and the governor of the Bank of England discussed a further cut in interest rates, as the number of retailers expecting to increase sales reached a seven-year high. Economists expect bank base rates to be cut by a quarter of a percentage point today – to 6 per cent – despite evidence of robust consumer spending. Page 7

Austria's austerity coalition: Austria's Social Democratic and conservative People's parties have reached a coalition agreement. They are aiming for a sharply reduced budget deficit and a leaner public sector. Page 2

Unionists set for White House party: US president Bill Clinton is planning to invite Ulster Unionists' leader David Trimble and other prominent Northern Ireland politicians to a White House St Patrick's Day party next week. Sinn Féin president Gerry Adams is not expected to be on the guest list. Page 7

Murdoch apology on BSkyB: Rupert Murdoch telephoned the chairmen of German media group Bertelsmann and French pay-TV company Canal Plus to apologise for the confusion over an announcement by BSkyB, his UK satellite company, that it had clinched an agreement to invest in a German pay-TV channel. Page 17; Lex, Page 16

Chechens on the attack: Russian troops fought hand-to-hand with Chechen separatist guerrillas throughout the capital Grozny after army units responded to a fresh rebel offensive.

Krupp Hoesch, world's leading producer of stainless steel, said stainless steel prices showed the "first tentative signs of an upward trend" in February. Page 16

Rolls-Royce announced annual pre-tax profits up 73 per cent to £175m ($269.5m) but declared an unchanged dividend for the year of 5p, underscoring the fragile state of the aircraft industry's recovery. Page 26

Boost for RTZ-CRA: Higher metal prices and increased sales volumes helped Anglo-Australian international mining group RTZ-CRA lift profits before tax and exceptionals last year by 42 per cent to $2.47bn. Page 26

Adidas, German sports goods maker, reported annual results at the top end of expectations with net income more than double at DM245m ($166m) in 1995. Page 18

Aérospatiale, French state-owned aerospace and defence group, reported improved operating profits in 1995, but said a FFr1.5bn ($296m) provision for restructuring costs pushed it FFr981m into the red. Page 17

US dumping complaints 'misfire': The biggest winners from US anti-dumping actions may not be industries which complain, but exporters abroad which gain orders at the expense of competitors accused of dumping, a US study suggests. Page 4

Air crew seized: Three helicopter crewmen – an American, a German and a Kenyan – were seized by militiamen loyal to a warlord under siege by African peacekeepers in Monrovia, Liberia.

Pressure on Taiwan: China has stepped up pressure on Taiwan by linking planned missile tests off the island, due to begin today, with a campaign to intimidate voters in presidential elections being held later this month. Page 6

Sanctions threat: The US is considering sanctions against China for the transfer of a new cruise missile to Iran, a senior US official said.

Baghdad hosts chess: The official world chess championship sanctioned by the International Chess Federation will start on June 1 in the Iraqi capital Baghdad. Anatoly Karpov of Russia will play American Gata Kamsky. Prize money is $2m.

■ **STOCK MARKET INDICES**

New York lunchtime		
Dow Jones Ind Av	5626.07	(+4.70)
NASDAQ Composite	1093.87	(+2.05)
Europe and Far East		
CAC40	2008.93	(+2.14)
DAX	2489.94	(+14.90)
FT-SE 100	3758.2	(-0.7)
Nikkei	19957.15	(-284.03)

■ **US LUNCHTIME RATES**

Federal Funds	5¼%	
3-mth Treas Bills: Yld	5.01%	
Long Bond	94	
Yield	6.45%	

■ **OTHER RATES**

UK: 3-mo Interbank	6⅛%	(same)
UK: 10 yr Gilt	97⅛	(97⅛)
France: 10 yr OAT	104.64	(104.93)
Germany: 10 yr Bund	97.42	(97.53)
Japan: 10 yr JGB	98.397	(98.648)

■ **NORTH SEA OIL (Argus)**

Brent 15-day (Apr)	$18.30	(18.20)

■ **GOLD**

New York Comex (Apr)	$395.4	(394.4)
London: close	$393.9	(393.75)

■ **DOLLAR**

New York lunchtime		
£	1.52885	
DM	1.4785	
FFr	5.0625	
SFr	1.201	
Y	105.255	
London:		
£	1.5299	(1.5294)
DM	1.4789	(1.475)
FFr	5.0635	(5.0485)
SFr	1.2013	(1.1993)
Y	105.31	(105.275)

■ **STERLING**

DM	2.2625	(2.2558)
Tokyo close:	Y 105.5	

[illegible]	[illegible]	[illegible]	[illegible]

Drugs groups' shares up sharply on Swiss merger

Sandoz and Ciba set to shed 10% of combined workforce

By Daniel Green and Nicholas Denton in London

Share prices of drugs companies around the world rose sharply yesterday after Swiss pharmaceuticals companies Sandoz and Ciba confirmed they are to merge, in one of the world's biggest corporate deals.

The new company, Novartis, will be the second biggest drugs company by sales and have a market capitalisation at last night's closing prices of $78bn, compared with $63bn on Wednesday night, before the announcement of the deal.

About 13,000 jobs – 10 per cent of the combined workforce – are set to go as Novartis plans SFr1.8bn ($1.5bn) annual cost savings by 1999.

The job losses are likely to fall mainly in Switzerland, where the companies are neighbours in Basle, and New Jersey, where both have their main US operations.

The prospect of cost-savings triggered sharp rises in both companies' shares. Registered shares in Sandoz, whose shareholders will receive 55 per cent of Novartis' shares, rose 19.6 per cent to SFr1,381. Ciba climbed 28.8 per cent to SFr1,455.

The possibility of further deals in the drugs industry prompted the wave of share price rises across Europe. Among those most affected were Zeneca of the UK, German companies Schering and Bayer, and Schering-Plough, Eli Lilly and Warner Lambert in the US.

These companies are seen by investors and analysts as the next likely candidates in a wave of drugs industry restructuring that started in 1993.

Although Sandoz and Ciba have previously used the investment banking subsidiaries of Swiss banks, US investment banks advised them on the merger.

Sandoz, which used SBC Warburg on last year's flotation of its chemicals arm Clariant, hired Morgan Stanley. JP Morgan worked for Ciba, a past client of CS First Boston. Union Bank of Switzerland acted as stockbroker for the merger.

The deal is expected to result in fees of $76m to be shared between the three firms. It will propel Morgan Stanley and JP Morgan to the top of the league tables of investment bank advisers in Europe, an important factor in winning new business.

Novartis will have combined sales of SFr36bn and a global market share of 4.4 per cent. Only Glaxo Wellcome, formed from a merger of Glaxo and Wellcome of the UK a year ago, is bigger. The combined pre-merger operating profit in 1995 was SFr5.8bn.

The deal, which is subject to regulatory and shareholder approval, will lead to two chemicals companies being spun off.

The merger also marks Mr Daniel Vasella as the likely long-term head of Novartis. Mr Vasella, 42, moves from chief executive of Sandoz's pharmaceuticals division to president of Novartis. Mr Alex Krauer, 64, Ciba's chairman, is to chair the merged company. The finance director is Mr Raymond Breu, the Sandoz finance director.

The new company is strongest in Europe, which accounts for 37 per cent of its sales and it claims to be number two in market share. It is number six in the US, where it makes 33 per cent of its sales, and number six in Asia, Australia and Africa combined. It claims to be market leader in drugs sales in Latin America, accounting for 9 per cent of its turnover.

Reports and analysis, Page 20;
Future prescription, Page 16;
Lex, Page 16

Daniel Vasella (left) of Sandoz is the likely long-term head of Novartis and Ciba's Alex Krauer will chair the merged company Reuter

Britain is focal point for Hamas fundraising Israel says

By Julian Ozanne in Jerusalem and Avi Machlis in Tel Aviv

Israel yesterday claimed that Britain had become a focal point in the west for fundraising by the Hamas Islamic movement as international efforts gathered pace to close down Hamas's external financial lifeline.

Israeli military intelligence officers, who have confiscated documents in raids on Hamas institutions, alleged there is an extensive network of fundraising in Britain, Germany, the US and Gulf Arab nations which directly supports Hamas's military operations.

The allegations came as the British government said it had no evidence to support accusations that Hamas supported the recent spate of suicide bombings in Israel from Britain.

Meanwhile, Israel Radio reported last night that Egypt would host an international summit next Wednesday of officials from about 20 countries on fighting terrorism. France and Germany yesterday dispatched their foreign ministers to Israel to discuss how to help the Jewish state fight terrorism.

Israeli military officials said Hamas received up to $70m from abroad each year. The money was ostensibly targeted at Hamas's extensive network of educational, health, religious and welfare organisations in the West Bank and Gaza Strip, but that part of the money was diverted to the military wing.

Hamas activists and suicide bombers were recruited with promises of lifelong support for their families. "It will be much more difficult for the military wing to recruit members if the flow of foreign funds is cut off," an Israeli officer said.

Israel said about 10-20 per cent of Hamas funds came directly from Iran and a further 40-50 per cent came from charitable organisations in Saudi Arabia and other Gulf nations.

In the west, Israeli military intelligence said Britain had become the prime source of funds following the US seizure of Hamas assets and the detention

Continued on Page 16

Drilling tests may lead to fresh criticism of Anglo-Dutch group's role in west Africa

Shell makes new oil find off Nigerian coast

By Robert Corzine in London and Paul Adams in Lagos

Shell, the Anglo-Dutch oil group which has come under international pressure to withdraw from Nigeria, is believed to have made a big oil discovery off the coast of the west African country.

If the find is confirmed, it could rekindle international criticism of Shell's role in Nigeria under military rule. The company is the largest foreign oil producer in the country, accounting for about half total output.

The company yesterday said it was condncting production tests at a well in the Bonga One exploration area in deep water off Nigeria.

Shell said it was too early to assess the potential of the well.

But oil industry observers in Lagos, Nigeria's capital, say the company's operations at the site suggest that it has made a major discovery.

A Shell spokesman in Lagos said: "We are doing reservoir tests now, and it can take several months to determine the size of the discovery.

"This is a whole new drilling environment, not like the [continental] shelf where oil is being produced."

Most of the company's Nigerian fialds are onshore in the Niger delta, close to poor communities where resantment at the lack of local benefit from the oil industry has led to direct confrontation with Shell and other operators.

This resulted in clashes with the Ogoni movement led by the late Ken Saro-Wiwa, who was executed last November after being convicted of the murder of rival Ogoni chiefs. The executions brought international criticism of Shell.

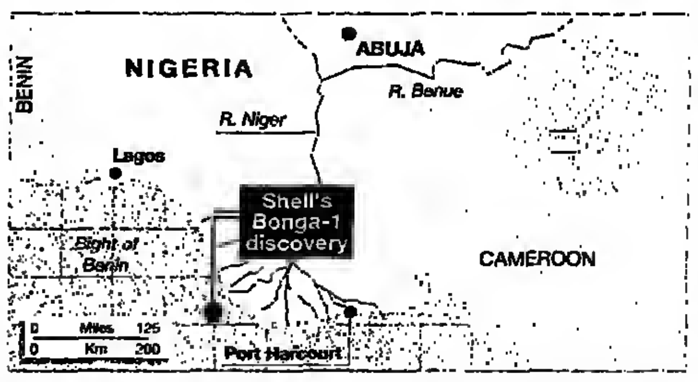
Shell has resisted demands that it withdraw from Nigeria, and it recently confirmed that it is to go ahead with a multi-billion dollar natural gas project in the country.

But the problems associated with onshore production have caused Shell and other large oil companies operating in Nigeria to look offshore for future developments.

The deep water exploration blocks are seen as vital to the future of Shell and the oil industry as a whole in Nigeria.

In recent years, Shell has failed

Continued on Page 16



Ford to invest $4bn in UK plants to develop 'world' cars

By John Griffiths and Andrew Bolger in London

Ford plans to spend £2.6bn ($4bn) on its UK manufacturing operations up to the end of the decade, signalling substantial investment in its Halewood plant on Merseyside and assembly facilities at Dagenham, east London for the "world" cars expected to replace the Escort and Fiesta.

The disclosnra of what amounts to a further strong vote of confidence by Ford, the world's second-biggest vehicle maker, in its UK factories coincides with plans announced by General Motors to invest about $1bn in its Vauxhall car operations in the UK over the next five years.

Continuing motor industry investment in the UK reflects rising productivity, the workforce's transformation from Europe's most intransigent to most flexible, and low labour costs and overheads.

The move by GM underlines the US car group's broad satisfaction with its UK cars' subsidiary – although the investment remains modest when compared with the $6.3bn to be invested by Opel, Vauxhall's sister company, in its German operationa between now and 2000. The UK programme also compares with $700m of planned investment by Opel Belgium over the sama period and $750m by Opel Austria.

However, the projections outlined by Mr Richard Donnelly, president of General Motors Europe, provide a clear indication that Vauxhall's operations at Ellesmere Port, Merseyside, will be upgraded for the successor to the Vauxhall/Opel Astra models built at the plant.

GM is also likely to proceed with plans, yet formally to be acknowledged, to add production of a small car – the Corsa or variants – at its main Luton plant in Bedfordshire.

While £540m of Ford's investment is already accounted for in its engine plant at Bridgend, South Wales, and new diesel engine production at Dagenham, about £2bn will be dedicated to plant facilities and tooling.

Ford is not expected to introduce an additional model line to the UK. But successors to the Escort and Fiesta are likely to be produced in greater variety and numbers than current models.

Rover Group, now owned by BMW, is also investing heavily in new model programmes and Peugeot is known to be considering assembly of an extra model at its Ryton plant near Coventry. Nissan, Toyota and Honda are continuing to expand their UK "transplant" outpot.

Total UK car output by the end of tha century is expected to reach 1.9m-2m units, compared with 1.5m last year and fewer than 1m in the early 1980s. The investment plans were welcomed as "extremely good news" by Mr Tony Woodley, national automotive officer of the TGWU. He said: "It is a vote of confidence in the UK workforce, and recognises their achievement in raising productivity in recent years."

In January, Vauxhall's 7,700 production workers unions voted narrowly to accept a 4.5 per cent pay rise, followed by an increase in line with inflation over the next two years and a one-hour cut in the 39-hour working week.

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Brussels still no place for a woman

But things are slowly getting better at the European Commission, writes **Caroline Southey**

The European Commission is a men's club where few women make it into the top jobs, according to the institution's own findings eight months after it launched a drive to promote equal opportunities.

The Commission said yesterday it had succeeded in "improving the recruitment of women" during the final six months of last year and the number of women in senior positions had been doubled.

The number of women in top posts – directors general and deputy directors general, involved in running departments equivalent to government ministries – went up from one to three out of a total of 54 during the eight-month period. The number of women directors, one level down, rose from five to nine out of a total of 167.

The Commission has claimed success on the grounds that it has met targets set last July by Mr Erkki Liikanen, commissioner for personnel. He said yesterday the situation for women in the Commission was "still awful. We can't change overnight what has happened since 1957. It takes a terribly long time".

But, he added, there was hope in the pattern of recruitment from three new member states which joined the EU last year. The number of women recruited at middle management levels from Sweden, Finland and Austria stands at 51 per cent, compared with 28 per cent for old member states.

"In the pattern of new recruits we have shown that change is possible," Mr Liikanen said. "The situation is still unsatisfactory when it comes to promotions, mainly due to the burden of the past, which has led to a very low number of women at certain levels in the Commission."

An EU official said it was quite noticeable in the Commission that "anybody in a position of power is a man. It is particularly stark at meetings, which are normally a sea of dark suits". Another pointed out that the Commission compared badly with nearly all EU national administrations, even those with poor equal opportunity records.

The Commission's figures show that the number of women decreases as the level of responsibility increases. Out of eight levels of "A" grades, for which a higher university degree is needed, the lowest level has the largest proportion of women. Among the youngest and least experienced "A" grades, women represent 28 per cent of the workforce, which falls to 5 per cent among the highest grades.

Among recruits from the new member states, where the Commission has had a free hand to employ outsiders, women make up 51 per cent of the youngest recruits. The Commission is also pleased with the balance of female employees at middle management levels from the three new member states. Here they hold 41 per cent of the jobs, against 15 per cent for the old member states.

The figures are expected to provide fresh impetus for action from a group of commissioners, set up by Mr Jacques Santer, Commission president, charged with promoting equal opportunities in Commission policies and in the institution.

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Social Democratic and People's parties back together in government

Austrian coalition will seek austerity

By Ian Rodger in Zurich and Eric Frey in Vienna

Austria's Social Democratic and conservative People's parties, which were at each other's throats in a bitter election campaign three months ago, have concluded a coalition agreement to govern the country for the next four years.

The agreement, reached after all-night negotiations, maps out the way to a sharply reduced budget deficit and a much leaner public sector, so that Austria can meet the criteria for participating in European monetary union.

It signals a remarkable turnaround from last autumn, when the two parties' previous coalition appeared powerless to halt a worrying deterioration in the country's public accounts.

"We have agreed on an enormous programme. The next government should and will last its full four-year term," Mr Franz Vranitzky, Social Democrat leader and chancellor for the past 10 years, said.

"This is good news for Austria," echoed Mr Wolfgang Schüssel, the People's party leader, whose warnings of financial danger triggered the collapse of the last coalition and December's snap election.

Although the Social Democrats were the victors in the election, the People's party austerity platform appears to underpin most of the new coalition's plans.

The two had already agreed in February on a two-year cost-cutting programme to slash the projected budget deficit by Sch100bn ($9.7bn) by the end of 1997. A number of social benefits, including maternity allowances, early retirement privileges and student subsidies were cut, and taxes were raised.

Yesterday they agreed to abolish two ministries, for transport and the family, and transfer their responsibilities to others. Mr Schüssel, who is also the foreign minister, won another victory, preventing the establishment of a secretariat for European affairs, and maintaining responsibility for European affairs within the foreign ministry.

Mr Schüssel also seems to have made some headway on two other touchy issues on which he campaigned last autumn.

He favoured Austria participating fully in common European security policy, while many Social Democrats want to maintain Austria's neutrality. It appears to have been agreed that the country will participate, but a final decision was postponed until after the European Union's Turin summit later this month.

He also wanted some leeway for the People's party, which is the junior partner in the coalition, to vote independently on non-essential issues. The Social Democrats appear to have agreed, although they want to minimise opportunities for the People's party to ally itself with the extreme rightwing Freedom party leader, Mr Jörg Haider.

The agreement was welcomed on the Austrian stock market, where the ATX index rose 12.91 points to 1,062. The market plunged last autumn when the government collapsed.

Investors were relieved that the parties agreed not to eliminate tax credits on corporate losses. Some leading Austrian companies, such as VA Technologie and VA Stahl, had warned of sharp cuts in their profits if these credits were removed.

Party leaders Wolfgang Schüssel (left) and Franz Vranitzky announce their agreement yesterday Associated Press

Election threat to Italian broadcasting

By Robert Graham in Rome

The management of Rai, Italy's state broadcasting organisation, risks being the first political casualty of the general election campaign getting under way.

Yesterday Iri, the state holding company that owns 99.5 per cent of Rai, announced it was taking legal action against the Rai board for its handling of management appointments. The move followed deadlock between Iri as shareholder and Rai's chairman, Ms Letizia Moratti, over the appointment of a new chief executive during the election period.

Control of Rai, and especially its three television channels, has been one of the most sensitive political issues since the rightwing government of Mr Silvio Berlusconi installed a new management team under Ms Moratti in 1994.

The centre-left alliance has fought a continuous battle to ensure fair play and avoid political bias in a medium which reaches all Italian households and where Rai accounts for more than 50 per cent of the national audience.

Ms Moratti, brought in from the private sector with no previous media experience, has proved a tough manager in seeking to impose her imprint on an unwieldy debt-ridden organisation.

Every move she has made has been surrounded by controversy. Her critics on the left see her as having a mission to reshape Rai's ethos to favour the right and refuse to take at face value her oft-stated desire to improve public service television.

The latest row began in January when she sacked Mr Raffaele Minicucci, the Rai chief executive, in a disagreement over the budget and programming. This led to calls in parliament from the centre-left majority for Iri to intervene as shareholder to challenge the sacking. Iri duly announced Ms Moratti could not make board appointments without consulting Rai's chief shareholder. Mr Minicucci meanwhile lodged a complaint with an administrative tribunal, claiming unjust dismissal.

With the campaign beginning for general elections on April 21, both the Dini government and the political parties have sought to patch up the squabble. But this week Ms Moratti refused to accept as a temporary solution the presence of Mr Enrico Micheli, Iri's director-general, as chief executive. She argued he was already on the Rai board of control and the roles of comptroller and administrator could not be mixed.

Ms Moratti's mandate can only run until Rai's annual meeting in May. But this conflict is likely to lead to even greater pressure for television to take a neutral stand during the election campaign. Since neither the centre-left alliance dominated by the Party of the Democratic Left nor the rightwing alliance headed by Mr Berlusconi, the former premier, can agree who is a neutral programme director, Rai's coverage of the campaign is likely to be emasculated.

Confindustria shifts its focus to small businesses

By Robert Graham in Rome

The governing council of Confindustria, the Italian industrialists' confederation, yesterday chose Mr Giorgio Fossa, the head of a small family engineering business, to be chairman of the organisation for the next four years.

The choice of Mr Fossa signals Confindustria's desire to put greater emphasis on addressing the problems facing small industrial companies which provide the backbone for Italy's industrial production and strong export performance. Confindustria, which plays an important role as the voice of Italian business, has been criticised for being linked too closely to the political establishment in Rome and more keen to defend the interests of big groups.

For almost a decade Mr Fossa has been involved in championing the interests of small business and since 1993 has been chairman of the national council of small industries.

He is the third generation of a family whose business, Silvio Fossa, produces hydraulic and pneumatic cylinders for heavy industry in the northern city of Varese.

Yesterday's election followed the first serious contest for the leadership in Confindustria's 86 years. Mr Fossa was always regarded as the candidate most likely to win, and was openly favoured by Fiat, traditionally one of the most influential voices in Confindustria.

But he was challenged until the last by two other candidates – Mr Gianmarco Moratti, head of a family oil business, and Mr Aldo Fumagalli, the former head of the young industrialists' association. Mr Moratti, who is the husband of the head of Rai, the state broadcasting organisation, lobbied hard and was overtly sponsored by Eni, the national oil company which was partly privatised last year.

Fossa: always frontrunner

Election followed the first serious contest in 86 years

This was the first time Eni had taken part in choosing a chairman. The previous election occurred when state-controlled industries belonged to a separate association, which has since been merged. Mr Fumagalli, though considered an outsider, argued strongly that Confindustria had become too ossified and bureaucratic, with insufficient young blood at the top steering policy. After yesterday's vote he announced he was resigning as a councillor in Confindustria.

The choice of the new chairman to succeed Mr Luigi Abete was made by a three-man committee on Wednesday and then put to yesterday's council to vote. Both Mr Moratti and Mr Fumagalli withdrew before the vote. Mr Fossa obtained 101 votes from the 145 persons present in the 153-strong Confindustria council. There were 30 blank votes, 13 invalid and one against.

Confindustria plays a key role in determining the position taken by management in setting national wage guidelines. Wages are currently determined by an historic framework agreement signed in July 1993 by Confindustria, the unions and the government. This agreement, which abolished the long-standing principle of indexed wages, has been central in holding down pay and controlling inflation.

However, Confindustria is seen by some industrialists as being still far too concerned with protecting the interests of individual sectors and insufficiently oriented towards adapting industry to the needs of a global economy. Questions are also raised as to whether Confindustria should continue to own a controlling stake in Sole 24 Ore, Italy's profitable leading business paper.

The new chairman, who takes over in May, will also have to decide whether economies are needed in an organisation whose Rome headquarters employs some 300 people. In 1994 staffing cost Confindustria L37bn ($24m), according to Il Mondo magazine this week, which managed for the first time to obtain a copy of the organisation's accounts. Members' contributions in 1994 were worth L55bn against total outgoings of L52bn.

Baffling case of Bosnian war crimes

As the international war crimes tribunal sifts through accounts of the atrocities committed in ex-Yugoslavia, the jury is still out on whether its activities will on balance help or hurt the prospects for peace.

There is an air of quiet moral fervour about the staff who tread the corridors of the faceless and tightly guarded building in The Hague, formerly the headquarters of an insurance company, where the tribunal is housed.

They believe they are writing history – not merely confirming but extending the precedents that were established at the Nuremberg trials, which sentenced 19 senior Nazis to death or prison.

A Dutch human rights lawyer, familiar with the Balkans trial though not directly involved, said there was a feeling in legal circles that the new tribunal was somehow superior to Nuremberg because it had been established by an outside force, not a warring party.

The lawyer, Mr Phon van den Biesen, said Nuremberg was a trial by the victors of the losers, and so it could be criticised for partiality.

"This time it will be different," he said.

Supporters of the court, which has indicted 46 Serbs and seven Croats, believe passionately that justice must be done, and seen to be done, in respect of the worst massacres Europe has seen since the second world war.

Otherwise, they argue, the bitterness in former Yugoslavia may never subside. Ms Madeleine Albright, the US ambassador to the United Nations, was a prime mover in the court's establishment and remains a strong advocate of its role in reconciliation.

"The wounds opened by this war will heal much faster if collective guilt for atrocities is expunged, and individual responsibility is ascribed," she has argued.

In practice, however, it remains to be seen whether the court can establish itself in the eyes of former Yugoslav citizens, and the world, as an impartial force.

While the Dayton agreement commits the governments of Serbia, Croatia and Bosnia to co-operating with the tribunal, neither Belgrade nor Zagreb have been willing to take the required step of delivering members of their own communities to The Hague.

The Croatian legislature, for example, has baulked at passing legislation which would commit the republic to working with The Hague – and suggested that the UN tribunal change its own regulations. Zagreb even promoted a general who has been indicted for war crimes.

Only three people, all Serbs, are in custody: the former prison warder Dusan Tadic, who was arrested in Germany, and two senior officers who were seized by the Bosnian army after they took a wrong turning near Sarajevo airport on January 30.

The pair were arrested without authorisation from The Hague. However, one of them, General Djordje Djukic, has since been indicted – and pleaded not guilty this week to charges that he committed war crimes by abetting the siege of Sarajevo.

The arrest of Gen Djukic and Colonel Aleksa Krsmanovic enraged the Serb community, and it has boosted the influence of Mr Radovan Karadzic and General Ratko Mladic, the hardline Bosnian Serb leaders who have themselves been indicted and, in theory at least, eliminated from the political game.

In an effort to counter suggestions of anti-Serb bias, Judge Richard Goldstone, the war crimes prosecutor, said on February 14 that he expected to issue indictments "in the coming weeks" against Bosnian Moslems.

Even if this promise is kept, Balkans analysts wonder whether the US will put as much pressure over the war crimes issue on the Bosnian Moslem leadership, which it is desperately trying to wean away from the influence of Iran, as it has put on Serbia and Croatia.

Goldstone: more indictments

The trial of Gen Djukic, meanwhile, has raised the issue of how far the tribunal should cast its net.

The indictment of a logistics officer – whose contribution to the siege was indirect, albeit very important – poses the question: which, if any, officers in the Serb army could *not* be indicted for war crimes?

More practically, the past history of Gen Djukic as a career officer with the Yugoslav army, who took his orders and pay from Belgrade, is bound to implicate senior figures in Serbia.

By making the governments of Serbia and Croatia the guarantors of peace in Bosnia, the Dayton accord appears to place their leaders above the fray of charges and counter-charges over atrocities.

But the closer the court looks at who sponsored violence in Bosnia, the harder it will be to avoid following a trail that leads to very high places in Belgrade and Zagreb.

Yet despite promises by Nato that its forces will arrest war criminals if they "come across" them, there is little immediate prospect of Gen Mladic or Mr Karadzic being apprehended – let alone any of their sponsors in Belgrade.

Another problem for the tribunal is how to use its limited resources. A budget squeeze was narrowly avoided when the UN, itself in financial crisis, allocated it $40.8m for 1996.

Court officials said this money should cover all requirements except one vital one – the protection of witnesses.

The tribunal's finances could be eased at a stroke if the UN members who established it had the will to give the court a permanent status, and the authority to adjudicate in future wars.

But the nations which created the tribunal seem strangely reluctant to take any steps which could guarantee it any long-term institutional independence.

Laura Silber and Bruce Clark

EUROPEAN NEWS DIGEST

Yeltsin suffers Chechen setback

The political toll on President Boris Yeltsin's re-election campaign mounted yesterday as fighting between separatist rebels in Chechnya and Russian troops grew worse in Grozny, the republic's capital.

Russia's policy-making security council yesterday endorsed a new peace plan, yet refused to give details before the month's end. The inability of Mr Yeltsin, who launched the military campaign almost 15 months ago, to implement any peace initiative to date has cut deeply into his popular support. A month ago, he vowed to end the war or face electoral defeat in June.

About 1,500 Chechen separatists are in Grozny and appear to control a third of the city. "The situation has seriously deteriorated. Clashes are going on effectively in every district of the Chechen capital," the Interfax news agency reported, quoting a security official in Moscow.

Mr Dzhokhar Dudayev, the Chechen leader, launched the assault on Wednesday, again underscoring the small nation's historic determination to resist Russian rule. What Russian officials hoped in December 1994 would be a "short, successful war" has left thousands of people dead and hundreds of thousands homeless.

Itar-Tass news agency said armoured vehicles moved into the city centre to help beleaguered interior ministry and pro-Moscow police hold off the rebels' offensive. The agency quoted the Russian-installed military commandant of Chechnya as saying 70 Russian and pro-Russian Chechen servicemen had been killed in the latest fighting.

Near Grozny, Russian troops continued an artillery and air assault on the village of Sernovodsk where Chechen fighters were holding out. *Matthew Kaminski, Moscow*

Russia backs full ban on N-tests

Russia yesterday became the fourth of the five declared nuclear powers publicly to declare its support for a "zero-yield" comprehensive test ban treaty. The US, France and Britain have already backed a complete ban on all nuclear tests.

Mr Grigori Berdennikov, Russia's representative to the United Nations disarmament conference in Geneva, said the treaty now under negotiation "should not contain any thresholds". Mr Berdennikov also made clear Moscow's opposition to India's demand for a link between the test ban treaty negotiations and talks on nuclear disarmament. "Such a linkage may only... hamper the elaboration of a treaty," he said. The disarmament conference is trying to complete the treaty by the end of June for submission to the UN general assembly in September.

The Russian statement now puts pressure on China, the remaining nuclear weapons state, to make its own position clear. China is the only one of the five still carrying out nuclear tests. *Frances Williams, Geneva*

French interest rates trimmed

The Bank of France yesterday trimmed its two key interest rates by 0.10 of a percentage point, in a furthering softening of monetary policy induced by the slowdown in the economy.

Yesterday's reductions, which bring the central bank's intervention base rate to 3.8 per cent and its repurchase rate to 5.5 per cent, may increase the government's impatience to see the commercial banks pass on the benefit of the Bank of France cuts in lower lending rates to their own customers.

The banks have proved reluctant to do this, claiming the need for higher lending margins to improve their poor profitability.

Some French MPs have criticised the government, as well as the Bank of France, for slow, piecemeal action to revive the economy. Yesterday the secretary general of the ruling Gaullist RPR party announced that he would attempt to remove Mr Philippe Auberger, secretary to the National Assembly finance committee, from the RPR national executive.

Mr Auberger has publicly accused the government of groping its way forward with "stop-gap measures" rather than taking decisive action. *David Buchan, Paris*

Hungarian deficit falls

Hungary's current account deficit fell by more than a third last year to $2.48bn, its lowest level since 1992, mainly because of a fall in the trade deficit to $2.44bn, according to the National Bank of Hungary. Record privatisation revenues contributed to a near doubling of international reserves to $12.01bn, up from $6.77bn at the end of 1994.

The figures vindicate last year's austerity package, which included an 8 per cent import surcharge and led to a 28 per cent devaluation of the forint over the year. The measures, which followed a record current account deficit of $3.9bn in 1994, increased investor confidence in Hungary, and paved the way for privatisation of several energy utilities last autumn.

However, the country's gross foreign debt, the highest in the former eastern bloc per capita, edged up to $31.65bn, from $28.52 in 1994, although net debt fell to $16.81bn, from $18.94bn. Borrowing by companies and commercial banks now accounted for $5.79bn of net debt.

Net direct investment in Hungary was $4.45bn last year, bringing the total to $11.92bn, nearly half the amount invested in the former eastern bloc. *Virginia Marsh, Budapest*

Italian telecoms row resumes

Omnitel Pronto Italia, the private operator competing for Italy's cellular phone market, yesterday filed a L365bn ($231m) suit against state-controlled Telecom Italia Mobile (TIM) as a new row broke out over an accord giving Omnitel temporary use of TIM's network.

Earlier this week TIM said tests showed that Omnitel's network had not yet covered 40 per cent of the country, a necessary condition of the so-called "roaming" accord which had been intended to take effect last month but which was postponed to March 13 under a compromise arranged by the Telecommunications Ministry.

Late on Wednesday the ministry confirmed Omnitel had reached 40 per cent coverage and warned of sanctions should TIM not observe the agreement.

Besides claiming damages for costs so far incurred by the failure to provide "roaming", Omnitel said it was checking with Italian and European Union anti-trust bodies to see if action could be taken against TIM for abusing its dominant position. *John Simkins, Milan*

Turkey convicts leading writer

Mr Yaşar Kemal, Turkey's greatest living writer, yesterday received a 20-month suspended jail sentence after an Istanbul security court convicted him of "fomenting enmity between peoples" with two articles he contributed to a book called *Freedom for Thought* criticising restrictions on freedom of expression.

Turkey has an array of 154 laws and regulations restricting freedom of expression, most of them intended to check Kurdish demands for cultural and political rights.

Mr Kemal, of Kurdish origin and author of the acclaimed novel *Mehmet my Hawk*, has become a leading critic of human rights violations in the government's military campaign against the separatist guerrillas of the Kurdistan Workers' party. *John Barham, Ankara*

Italian magistrate cleared

Italy's former senior anti-graft magistrate, Mr Antonio Di Pietro, was cleared of extortion charges when he appeared in court in Brescia for a hearing to decide whether he should stand trial, court officials said.

Mr Di Pietro, who headed Italy's "Clean Hands" investigation into institutional corruption, was cleared of putting pressure on the person in charge of computerisation of the Milan prosecution service until his resignation in December 1994. He faces another court appearance on March 18 over accusations of abuse of power relating to a $87,000 loan. *AFX, Brescia*

هكذا من الأصل

NEWS: EUROPE

Ankara sees Kurdish peace as priority

By John Barham in Ankara

Mr Mesut Yilmaz, Turkey's new prime minister, said yesterday resolving the 11-year Kurdish uprising would be his government's main priority. Reading out the government's programme in parliament, he said "violence and terrorism are one of [our] most important problems".

He said he would seek to end the rebellioo in the south-east of the country which has killed about 20,000 troops, guerrillas and civilians, by bringing "peace and welfare" to the region, rather than through purely military methods.

He promised gradually to lift emergency rule in 11 provinces in the south-east granting officials sweeping powers. He said he would phase ont the hated Village Guards, local Kurdish militias, and would encourage refugees to return to their villages.

Mrs Tansu Çiller, the outgoing premier, gave security forces a free hand against guerrillas of the Kurdistan Workers party (PKK). Troops adopted a highly controversial scorched earth strategy of evacuating and burning villages.

Such heavy-handed methods attracted strong criticism from human rights organisations and Turkey's western European allies. Reducing violence and human rights abuses would aimultaneously strengthen Turkey's political stability and improve its international standing.

However, Mr Yilmaz warned the government would not relent in its battle with the PKK: "People who are creating violence and terrorism will face the harshest reaction." And he made no mention of amending the notorious Anti-terrorism law, which is frequently used against eveo non-violent Kurdish nationalists.

Turning to economic policy, he said my "programme's main economic aim is to fight against inflation and stabilise growth". He promised "radical changes to decrease spending and waste" to reduce inflation to single digits. Inflation is currently at 78 per cent. Mr Yilmaz said he would pursue an aggressive privatisation programme, reform the tax system and introduce a private pension scheme. He promised a hiring freeze during the government's five-year life.

Attaining economic stability would allow the government to begin tackling Turkey's pressing social prohlems. Mr Yilmaz said 2m new jobs would be created by 2000. Declining interest payment on the $25bn domestic debt would free greater resources for pohlic investments. The government has decided to raise the school leaving age to 15 from 12.

Mr Yilmaz and Mrs Çiller have divided responsibility for the economy and internal security evenly between both their parties. True Path will run the treasury and the planning organisation. Mr Lütfullah Kayalar, a mainstream Motherland politiclan, is tbe new finance minister, but True Path will control the treasury and the powerful State Planning Organisation.

Mrs Çiller has also appointed several hardliners to the cabinet. Mr Mehmet Ağar, a tough former security chief, is the new justice minister. Other True Path cabinet members include Mr Unal Erkan, outgoing emergency governor of the south-east and Mr Ayvaz Gökdemir, an outspoken critic of human rights campaigners. Motherland has appointed middle of the road conservatives to run the defence and interior ministries.

Turks await financial miracle

John Barham reports on pressures facing the new PM to improve the economy

Salim Bahadir, an Istanbul worker, gained momentary fame this week when the newspaper Milliyet analysed his personal finances. Declaring him a "Miracle Man" for providing for his family and managing mounting debts on an income of just $174 a montb, It suggested he become Turkey's next finance minister.

Howaver, like the government, Mr Bahadir survives only by ignoring his bills and falling into debt.

There are millions of Turkish miracle-makers who, like Mr Bahadir, are steadily sinking deeper into poverty, and the fear is that more and more of them will vote for tbe Islamist Refah party.

Commentators say Mr Mesut Yilmaz, the new prime minister, must quickly return Turkey to sustainable growth to keep Refah at bay. Refah took the most votes in December's general elections and promises stiff opposltion to the new "government of rentiers".

But Mr Yilmaz also has to keep bis minority coalition government togetber. Althongh hls Motherland party and its coalition partner, the True Path party of Mrs Tansn Çiller, share the same free-market policies, they are old rivals wbo differ on implementing policy. Mr Yilmaz's advisers want to force the pace of reform. They have to act qnickly because under their coalition agreement with True Path, they must hand power back to Mrs Çiller at the end of tbe year.

Both parties agree that inflation at 78 per cent has to be redoced but True Path does not want any radical measures. Mr Sedat Aloğlu, a True Path MP, says: "I don't think any government in Turkey can [adopt] austerity measures sucb as in Argentina, Brazil or Israel. The people would oot bear it."

> 'I don't think Turkey can adopt austerity measures such as in Argentina, Brazil or Israel. The people would not bear it'

Motherland wants to privatise all state banks by December. These big banks distort the economy with their large non-performing loans and are condoits for subsidies to farmers and bnsinesses. Bnt Mr Aloğln, like many bnsiness analysts, agrees tbe hanks sbould be sold but tbink Motherland's timetable over-ambitious. Mr Yilmaz's economic team wants to balance the budget by limiting the government's abillty to place new domestic debt or print money. Servicing debts takes up a third of the budget.

However, cutting spending or raising taxes to close a public sector deficit equivalent to aboot 7-8 per cent of GDP is unlikely to be easy or popular.

Reforming the social security system, whose losses contribute over half tbe public sector's deficit, ls another important objective. But Motherland's proposal to introdnce prlvate pension plans is controversial.

Moreover, the government is 15 seats short of a majority in the 550-member parllament, and will need snpport from two leftwing parties to adopt many of its reforms.

Their backing will not come cheap. Mr Hikmet Ulugbay, an MP for the centre-left Democratic Left party, says Mr Yilmaz "will have to take [us] into consideration to carry out [his] policies". Mr Erol Sabanci, head of Akbank, Turkey's hlggest private bank, fears the new government will be as weak and divided as Mrs Çiller's previous coalition. He says: "The [durability] of the government does not give business adequate confidence. The strength of the government is questionable."

Still, not everyone is pessimistic. Some businessmen say the rivalries between the coalition partners are exaggerated and expect them to work well once they become accustomed to each other.

Positlve expectations in financial markets could set off a virtuons circle of falling Interest rates and inflation. This would ease the government's debt service bill, redncing the budget deficit and further cutting inflation.

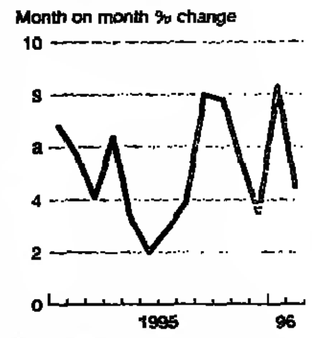
International organisations are encouraging. The Organisation for Economic Co-operation and Development (OECD) says in its six-monthly report on Turkey that while tighter policies could cnt growth to a more sustainable 5 per cent in 1996 and 1997, after expansion of 7 per cent last year, inflation should fall to 55 per cent in 1996.

Western governments with a stake in Turkey's political stability may coovince the International Monetary Fuod to support tha government witbout setting too stringent conditions. Markets say an IMF stamp of approval is essential to build confidence.

Officials musl also improve the lives of people like Mr Bahadir while tbey reform the economy, if tbey are lo balt tbe advance of Refah. Mr Nedim Olçer, senior vice president at Istanbul's Interbank, says: "The government has experience, taleot, support of tbe people. They know [tbey bave] to be sncccssful. Only Refah will beoefit from failure."

Turkish inflation

Month on month % change



Source: State Institute of Statistics

Eurotunnel share probe may lead to clearer rules

By Andrew Jack in Paris

The UK stock market regulator yesterday pledged co-operation with its French counterpart to clarify future rules for underwriters. The move comes in the wake of an investigation into allegations of insider trading in the shares of Eurotunnel, operator of the Channel Tunnel rail link.

Mr Andrew Winckler, chief executive of the Securities and Investments Board, said last night be supported an examination of the rules as part of a move towards greater co-operation between stock market regulators, and to provide firms with clear advice on transgressions in advance, rather than simply reprimanding them after the event.

His comments came after the Commission des Opérations de Bourse (COB), the French regulator, said on Wednesday that it had decided a case for insider trading "had not been established" against two international banks involved in the £858m ($1.3bn) capital increase of Eurotunnel in May 1994.

Its ruling followed a resolution in July last year to open an inquiry relating to the alleged use of privileged information by Salomon Brothers and Swiss Bank Corporation, two of the 13 banks involved in the underwriting. Both have always protested their innocence and yesterday welcomed the decision.

The two banks – which were never named hy the COB – faced some implicit criticism. The regulator said it "had indicated to the firms involved they should consider strengthening their internal rules with respect to confidential information".

The case is still being examined by a French public prosecutor who could bring separate criminal actions relating to the sharp fall in the Eurotunnel share price in the months ahead of its rights issue.

More significantly, the COB announced on Wednesday the creation of a working party chaired hy Mr René Barbier de La Serre, one of the members of its ruling college of regulators. Its role will be to launch a review into the different ohligations imposed on multi-capacity firms which operate as advisers or underwriters in new share issnes by quoted companies.

It said that "regulation and practices applying in the primary market were not interpreted in the same way by all market participants". Requirements needed to be clarified and harmonised in conjunction with other regulators, notably those in the UK, it said.

Eurotunnel itself had called for an inquiry after its share price began falling substantially between January and May 1994, ahead of the rights issue designed to help recapitalise the company.

NEWS: INTERNATIONAL

UN to maintain sanctions on Iraq

By Michael Littlejohns, UN Correspondent in New York, and Reuter in Amman

The United Nations Security Council yesterday decided to continue sanctions against Iraq after the US questioned whether there was the political will in Baghdad to accept UN terms for even limited oil sales.

Accusing President Saddam Hussein of "bloody carnage" in killing members of his family who accepted pledges of safe return from Jordan after defecting, the US said the deaths were another example of his duplicity.

During the council's 60-day review of sanctions, Ms Madeleine Albright, the US delegate, said there was incontrovertible evidence that Mr Saddam lied, cheated, bullied and murdered. The interests of a select, privileged few were placed over "millions of desperate and oppressed citizens".

Mr James Rubin, spokesman for the US mission at the UN, said the delegation had no evidence that Baghdad had decided to accept UN terms for the sale of up to $2bn of oil, mainly to buy food and medicines for civilians.

● Jordan said yesterday it had seized spare parts and equipment for fighter aircraft bound for Iraq from Poland in violation of United Nations sanctions.

The goods, concealed "agricultural equipment" in six boxes weighing a total of 204kg, were seized at Amman international airport after arriving from Warsaw via Amsterdam, Mr Mohammad Daoudieh, acting information minister, said.

This was the third interception by Jordanian authorities of contraband goods destined for Iraq in the past three months. Goods seized so far included large consignments of toxic chemicals, a machine for making missile parts and 115 Russian-made components for long-range missiles.

The shipment was seized amid worsening political ties with Iraq since Jordan used the defection of senior members of Mr Saddam's family in August to seek change in Baghdad.

The announcement coincided with the arrival of a senior UN official in Baghdad to pursue talks on dismantling Iraq's weapons of mass destruction.

Mr Daoudieh said Jordan would not resort to closing its border with Iraq – Baghdad's only reliable link with the outside world and a main door for food and other authorised imports.

Tehran accused of helping finance Palestinian terror group

West censures Iran over Hamas

By Bruce Clark in London, Julian Ozanne in Jerusalem and David Gardner in London

West European nations yesterday censured Iran over its attitude to the bombings in Israel, but stopped short of yielding to US pressure for a suspension of the European Union's "critical dialogue" with Tehran.

Israeli officials, meanwhile, said Iran was one source of finance for the militant group Hamas – but most of its funding came from other quarters.

Diplomats said there was mounting concern in all western European capitals yesterday over the effect of the latest bombings on the peace process. "The strain on the peace process is about as much as it can bear," said one UK official.

But the US and each of its main European allies appeared to be operating separately, giving an impression of poor co-ordination in the western camp.

Mr Hervé de Charette, the French foreign minister, and his German counterpart, Mr Klaus Kinkel, both flew to Israel to express their strong support for continuing the peace process.

France has already called off a visit by Mr Mahmoud Vaezi, deputy Iranian foreign minister, in protest over commentaries by Tehran's official media which defended the recent attacks on Israel.

But efforts to hammer out a joint European Union message of support for Israel and censure for Iran failed. Foreign minister Susanna Agnelli of Italy, current holder of the European Union presidency, deplored the fact that France was acting without consulting its partners.

Britain's Foreign Office summoned the Iranian charge d'affaires, Mr Gholamreza Ansari, to hear a protest over his country's moral support for terrorism. "Iranian actions, particularly opposition to the Middle East peace process, their support for terrorism and the highly distasteful remarks after the assassination of [Israeli] Prime Minister [Yitzhak] Rabin and the latest bombs are a cause for grave concern," a spokesman said.

British officials said the UK and its EU partners would have to consider hardening their position if evidence emerged that Iran had provided practical as well as moral support to the bombers in Israel.

Although Israel has said Iran might have had a hand in the bombings, Israeli intelligence and military officials acknowledge that Hamas is largely an indigenous movement, with its own, well-established sources of financing.

Israeli military intelligence officials said Hamas received around $70m (£45.4m) a year in donations and charged yesterday that 10-20 per cent of the total came directly from Iran. "We know that Iran is transferring a few million dollars each year," said a senior intelligence officer.

> 'The strain on the peace process is about as much as it can bear'

Hamas funds raised abroad are directed to sustaining its extensive social, educational and welfare network. But money leaks from the social organisations to Hamas' military wing, mostly in the form of financial support to the families of Hamas guerrillas and suicide bombers. The money comes primarily from the Palestinian diaspora in the US and Europe, from the Gulf states in the form of individual contributions, and from the zakat, an Islamic tithe.

Israel also says Arab citizens of Israel are responsible for channelling funds to Hamas from Islamic institutions.

Israeli intelligence has developed a very precise knowledge of Iran's external activities as a result of its 14-year-old conflict with Hizbollah, the Iranian-backed Shi'ite fundamentalist militia, in Lebanon.

It calculates that Iran's financial penury forced it to halve the annual subvention to Hizbollah to $60m in 1994 and significantly less last year.

Hamas, moreover, is a Sunni Moslem organisation and an offshoot of the pan-Islamic Moslem Brotherhood, which spread to Palestine from Egypt in the 1930s.

While Hamas has maintained contacts with Tehran, Israeli officials have never before suggested the movement was Iran-directed or financed.

The main Hamas external leaders are based in Jordan, where the Brotherhood's Islamic Action party is the main parliamentary opposition, and in Syria, where Iran's Vice-President Hassan Habibi last week met Mr Imad Alami, a Hamas leader. Israeli military intelligence has also said that Jordan is being used as a main conduit for funds to Hamas coming from the Gulf.

In Washington, Jordan's King Hussein said his government would "do whatever we can" to stop terrorists from destroying Middle East peace. Gulf Arab officials confirmed US President Bill Clinton had sent letters to several Gulf allies urging them to investigate links between Islamic charitable organisations and Hamas and curb funds being sent to the extremist Palestinian group. Earlier this week Mr Clinton sent similar letters to King Hussein and Syrian President Hafez al-Assad.

In Gaza, Palestinian security forces continued raids on Hamas institutions and made scores of arrests. Gaza police chief Ghazi al-Jabali said police had arrest more than 500 members of Hamas and Islamic Jihad. "This is only the beginning," he said.

Arafat urges action against terrorism

Palestinian President Yassir Arafat yesterday opened the first session of the newly elected Palestinian Legislative Council with a call for international efforts to combat terrorism, Reuter reports. The 88-member Palestinian Council met in self-rule Gaza, which has been blockaded by the Israelis since Islamic militants launched the first of four suicide bomb attacks in Israel on February 25.

"From this podium, I call on all parties in the world to hold a meeting and at the highest level to discuss... methods of confronting terrorism as a regional and international phenomenon," Mr Arafat said in an address to the council.

"We will not let violence and terrorism stop the peace process," Mr Arafat said.

US President Bill Clinton has floated the idea of a Middle East summit to co-ordinate a response to attacks aimed at derailing the peace process.

Mr Arafat, under tough Israeli and international pressure to act, has ordered security forces to crack down on institutions affiliated with the Islamic militant Hamas group, whose military wing carried out the bombings which have claimed 57 victims.

Palestinian human rights monitors said more than 400 Gazans had been arrested in the crackdown. This has included raids on mosques, homes and the Islamic University of Gaza. Israel has sealed off the Gaza Strip and West Bank, preventing Palestinians from going to work in Israel and blocking delivery of food, which is running short. West Bank council delegates had to get special permits to travel across Israeli territory to Gaza.

Mr Amr Moussa, Egyptian foreign minister and one of several guests from Arab countries at the meeting, told the council that Egypt stood by the Palestinians in these difficult times.

"It is an honour to represent Egypt in this historic meeting," he said.

Yassir Arafat (left) and Saleem al-Zanoun, Palestinian Legislative Council chairman, at prayer before the start of yesterday's opening session of the legislature in Gaza City Associated Press

Bombs fail to dent economic growth hopes

Confidence of foreign investors in stock market remains high

Israel's rapid economic growth will not be significantly affected by the short term by the recent wave of Islamist terrorism, and foreign investors remain confident about the future prospects of the economy and its stock market.

Analysts and businessmen yesterday said foreign and local investors on the Tel Aviv Stock Exchange had shown considerable resilience compared to a few years ago when terrorist attacks caused huge disruption in the market. The Mishtanim index of the top 100 blue chip stocks closed yesterday at 206.11, down just 1.2 per cent from its level two weeks ago before a spate of Islamist attacks killed 57 people.

"Three years ago there would have been large sell-offs but the market is much more mature now," said Mr Shachar Gazit, a senior trader at Batucha Securities in Tel Aviv. "Investors today look much more at micro and macro economic factors rather than political events."

Investor confidence and the recent stability of the market reflect a growing realisation that terrorism has little impact on the fundamentals of economic growth, monetary and fiscal policy and corporate earnings, which are set to grow 16 per cent this year.

Israel's economy has had average annual growth of 6.5 per cent in the past three years and is expected to grow 6 per cent this year. Foreign investment more than doubled in 1995. According to central bank figures, foreign investment rose from $1.04bn in 1994 to $2.11bn last year. Nearly half of this – $990m – was invested in the stock exchange and in new shares issued by Israeli companies abroad.

Investors are aware that many important benefits to Israel from the Middle East peace process have already been delivered – new trade opportunities in Asia, a trade association agreement with the European Union and the arrival of European and Japanese investors and banks after a prolonged absence.

Negative economic effects from the terrorist attacks are viewed as short-term. Israel's closure of its borders with Palestinian territories will drive up the prices of fruit, vegetables, construction materials and labour, putting further pressure on the consumer price index and the government's battle to keep inflation under 10 per cent. The image of violence could also harm tourism and there have already been reports of booking cancellations.

But these negative effects are unlikely to affect investors. More important is the growing concern that terrorism will harm the electoral chances of Israeli prime minister Shimon Peres and the Labour-led coalition government.

Foreign and local investors want Mr Peres re-elected because they believe a right-wing Likud victory would torpedo fragile Middle East peace. Furthermore, although the economic policies of the Likud and Labour parties are broadly similar, investors believe a Labour victory would guarantee stability and coherence of economy policy and enable the government to deal swiftly with its unfinished economic agenda.

Mr Victor Halpert, Israel analyst at Salomon Brothers, said that "foreigners believe a Likud victory would end the peace process and lead to more government force against Palestinians, which would have negative effects on tourism and economic growth. Growth could slow from 6 per cent to 4.5 per cent under Likud."

> 'Growth could slow from 6 per cent to 4.5 per cent under Likud'

But with almost three months to go until the May 29 poll political concerns are still much less important to investors on the stock market than interest rates and the absence of domestic liquidity. "Interest rates have been, and are, the number one factor," said Mr Gazit.

Analysts said the lack of any investor withdrawal from the $60m initial public offering of shares in government-controlled Israel Discount Bank, which closed yesterday, was proof of continuing confidence.

Mr Keith Phillips of Société Générale Strauss Turnbull, which together with Lehman Brothers marketed 60 per cent of the offering in Europe, said there had been no cancellation of orders for shares.

Julian Ozanne

NEWS: WORLD TRADE

US dumping complaints 'misfire'

By Guy de Jonquières

The effectiveness of anti-dumping policy in reducing import competition is called into question by a study by the National Bureau of Economic Research, an independent US research organisation.

It suggests the biggest winners from US anti-dumping actions may not be industries which initiate complaints, but exporters abroad who gain orders at the expense of competitors accused of dumping.

The study also finds that anti-dumping duties have cut the value of imports affected only in the year after they were imposed. By the third year, imports had recovered to levels higher than before anti-dumping action was taken.

Dumping is defined as the pricing of exports below cost, which injures producers in the importing country. Unlike most trade restrictions, anti-dumping measures are applied to named producers in selected countries, not to all exporters of a product.

The study, by Mr Thomas Prusa, an economist at Rutgers University, is based on analysis of the impact of more than 200 anti-dumping cases launched in the US in the 1980s.

It finds that the opening of anti-dumping investigations, even when they did not lead to imposition of duties, reduced by as much as 20 per cent the value of the imports concerned.

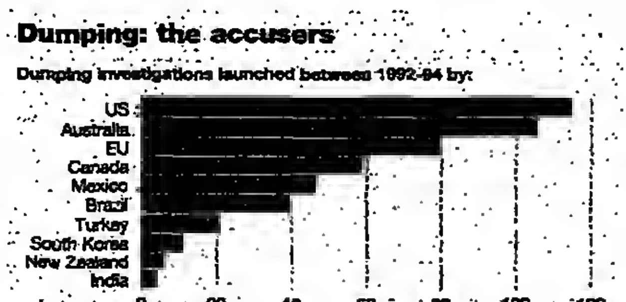
The fall in the first year after duties were applied was as much as 36 per cent.

However, the study says anti-dumping actions have not normally reduced the value of total imports of a product, but have diverted orders to other foreign producers. Their US sales have risen on average by more than 20 per cent in the first year after duties were imposed.

"Paradoxically, the main [beneficiaries] of anti-dumping duties may not be the US complainants, but rather the other countries competing in the US market," it says. It suggests the gains to US producers may be negligible after the costs of bringing a complaint are taken into account. The study estimates that US anti-dumping measures cost Japan, the main target of complaints, $7.6bn in annual exports between 1980 and 1988. However, these losses were partially offset by $5.4bn of gains by Japanese companies which increased exports to the US, after competitors were subjected to anti-dumping actions.

Other countries whose US exports were hard-hit by anti-dumping measures included Brazil, Italy, South Korea, France and Britain. However, the study estimates that their losses were exceeded by increased exports of other products, as US customers switched orders away from rivals accused of dumping.

The trade effects of US anti-dumping actions. Working paper 5,440, National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Tel: 617-868 3900.



Source: Gatt, Geneva

Unions take up cause of women 'slaves'

Trade accords 'should include measures to protect exploited workers worldwide'

By Andrew Bolger, Employment Correspondent

Employers' worldwide push for flexibility is driving working women into "near slave-like conditions", according to a report by the International Confederation of Free Trade Unions published today – International Women's Day.

Its conclusions will be cited by trade unions in their campaign to have social clauses, guaranteeing workers' rights and conditions, written into future international trade agreements.

Although an increasing number of women are joining the labour market, ICFTU says they are also the first to suffer from the negative effects of globalisation of the economy. The report, Worlds Apart, says women have become the principal victims of unemployment, are confined to the least skilled jobs and do not receive equal pay with men for equal work.

"They also represent the great majority of the workforce in the new bastions of globalisation in the developing countries – the informal sector, the export processing zones and home working, exposed to deplorable working conditions, exploitation and fierce anti-union repression."

Some of the worst abuses are identified in the export processing zones, which are now present in more than 50 countries, concentrated in south and south-east Asia and Central America.

On average, the report says, 80 per cent of the workforce in the export processing zones are women, working mainly in the textile, clothing, toy and electronics sectors. In Panama 90-95 per cent of assembly plant employees are women.

"To attract western investors, some Asian countries, such as Thailand or Malaysia, do not hesitate to boast in their publicity brochures of the 'dexterity of the small hands of the oriental women and traditional attitude of submission', a mixture that is supposed to work wonders on the assembly lines of potential multinational investors."

In the export processing zones, the report identifies a marked preference for young, unmarried women and says it is made very clear that marriage – or worse still, childbirth – is incompatible with their job. "In some cases, women have to undergo a compulsory pregnancy test before being hired and, from Honduras to China to Costa Rica, pregnancy means dismissal.

"To prevent the problem of pregnancy from the outset, some Guatemalan and Honduran assembly plants distribute contraceptive pills to their women employees. In the Dominican Republic, some factories have distributed pills that have resulted in sterility."

ICFTU says anti-union repression is an integral part of the export processing zone concept. Potential investors see the absence of unions as an advantage, and their preference for women workers is a deliberate part of their anti-union policy. The cultural conditioning of these young women makes them less likely to rebel.

The report says: "Trade unions must press governments to change legislation and guarantee union rights in the export processing zones. They must inform members of the public of working conditions in the zones, and publicise 'blacklists' of multinational enterprises which violate international standards, organising boycotts of their products."

Unisys threat in Czech dispute

By Vincent Boland in Prague

The Czech subsidiary of Unisys of the US is threatening to seek a judicial review of Czech defence procurement procedures, in a growing row over cancellation of a defence contract won by the company.

In its first detailed response to rulings upholding cancellation, Unisys said yesterday it might "seek a judicial review of the entire procurement process" to reverse the move.

Unisys won the contract in a tender last year to supply the Czech army with a Staff Information System as part of Czech efforts to join Nato. It beat competition from local subsidiaries of IBM, EDS and Digital Equipment. The defence minister, Mr Vilem Holaň, later cancelled the contract and said the ministry would arrange a new tender.

A political row developed when the competition ministry said Mr Holaň did not have the right to cancel the contract. That ministry ruled that the defence minister exceeded his powers, but confirmed the cancellation. Unisys claimed the competition ministry's rulings were "contradictory", and would delay modernisation of army information systems.

The row has highlighted what some observers claim is widespread corruption in the awarding of army contracts.

Last month two army officers were accused of misusing their authority in selecting the winner of a military tender for the supply of heating equipment.

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WORLD TRADE NEWS DIGEST

US satellite plan on course

Mr Rupert Murdoch's News Corporation and MCI, the US telecommunications group, are on schedule with plans to offer digital satellite services to US customers by the end of next year. The companies said the services would be delivered from two satellites to be built at a total cost of about $400m by the space systems division of Loral. The first will be launched on a Russian Proton rocket in late 1997 and the second on a US Atlas in early 1998.

The satellites will have the capacity to carry hundreds of television channels using digital broadcasting techniques; their footprint will cover the continental US, Hawaii, Alaska and Puerto Rico. Loral said the satellites would deliver direct-to-home television services from a slot awarded to MCI in government spectrum auctions. *Alan Cane, London*

Indian mobile phone deal signed

Alcatel, the French telecoms group, yesterday signed a $100m contract with Koshika Telecom, part of India's Usha group, to supply and install GSM mobile communication networks in three Indian states. The contract is the first big equipment and installation deal to arise from the award last year of licences to provide private cellular telephone networks in 20 Indian "circles", or zones. Alcatel will supply four high-capacity switching systems and several hundred GSM base stations. The network will cover 42 urban areas and their connecting roads in the central and eastern Indian states of Uttar Pradesh, Bihar and Orissa. The company said microwave links would cover a total interconnection distance of 2,500km.

The system will use switches based on the Alcatel 1000 switch which the group already manufactures at factories at Gurgaon, outside New Delhi, as part of an earlier switch supply contract to the department of telecommunications. *Mark Nicholson, New Delhi*

Czechs benefit from free trade

A liberal trade regime has been an important factor in the relatively successful transition of the Czech Republic to a market economy, according to the World Trade Organisation.

In a report on Czech trade policies and practices, the WTO secretariat said total trade added up to more than Czech gross domestic product, making it one of the world's most open economies. Modest tariffs and few other trade barriers have enabled Czech exporters to import raw materials and other inputs at reasonable cost and to maintain overseas deliveries despite the appreciating koruna.

Discussing the report this week, trading partners expressed concern at a possibly destabilising influx of foreign funds and the widening trade deficit. *Frances Williams, Geneva*

Mexico attacks new US Cuba act

By Stephen Fidler, Latin America Editor

The Mexican government said yesterday it would invoke legal remedies provided by the North American Free Trade Agreement to counteract new legislation tightening the US embargo of Cuba.

It said it would co-ordinate with its other Nafta partner, Canada, a response to the legislation, which passed the US House of Representatives on Wednesday night and awaits signature by President Bill Clinton. Among other things, it would allow Cuban-Americans to sue foreign companies using expropriated properties in Cuba and exclude their executives from the US.

Mexican officials said the law appeared to flout the Most Favoured Nation clauses of Nafta and the WTO.

Mr Art Eggleton, Canada's trade minister, said yesterday in London that his government was still discussing precisely how to respond, though invoking the Nafta disputes procedures and a protest through the World Trade Organisation were both strong possibilities.

He said Canada would press Mr Clinton to use his powers to waive the application of some parts of the legislation.

"It's a dangerous precedent. They're in effect saying that if you trade with Cuba, you can't trade with us. That's not acceptable," he said. He said 20 to 30 Canadian companies had investments in Cuba totalling more than C$200m (£96.6m).

Bernard Simon in Ottawa reports on vigorous efforts by a onetime spendthrift to balance its books

Born-again Canada opts for fiscal rectitude

Taxpayers in the Canadian province of Alberta have received an unusual communication from Mr Ralph Klein, the state premier. In spite of living in a country where chronic public-sector deficits have created one of the industrial world's heaviest debt burdens, the letter seeks advice on how to spend the province's growing surplus.

Albertans may soon have company. Seven of Canada's other nine provinces have either balanced their books in the current fiscal year ending on March 31, or are likely to do so in 1996-97.

The federal government, as well as Ontario and Quebec (which make up almost two-thirds of Canada's population), are still struggling with sizeable deficits and a growing debt load. But they, too, are on the road to fiscal discipline, judging by this week's federal budget and recent developments in the two provinces.

"Canada has moved quite a distance," said Mr Joshua Mendelsohn, chief economist at Canadian Imperial Bank of Commerce.

The federal budget forecasts a deficit of C$24.3bn (£11.5bn), or 3 per cent of GDP, in the coming fiscal year, down from a peak of C$42bn in 1993-94. The shortfall is expected to shrink still further to C$17bn, or 2 per cent of GDP, in 1997-98.

"We will balance the books," Mr Paul Martin, finance minister, promised in his budget speech. "But we will do so in a way that is measured, deliberate and responsible."

If all goes to plan, Ottawa's borrowing requirement (after non-budgetary transactions, mainly the use of pension fund surpluses) will be down to 0.7 per cent of GDP in 1997-98, the lowest among the G7 countries. The debt-to-GDP ratio is expected to fall by more than 1 percentage point that year, the first significant decline in two decades.

In Ontario, the Conservative government which took office in mid-1995 has mounted an all-out assault on the deficit. About 50,000 provincial civil servants are on strike in protest against its demands.

Welfare payments have been cut and business subsidies frozen. A government-appointed commission is expected to call within the next few months for at least the partial privatisation of Ontario Hydro, North America's biggest power utility.

Mr Lucien Bouchard, Quebec's new premier, is also expected to unveil a tough austerity package soon. Mr Bouchard has said the French-speaking province's economic problems are a higher priority for the time being than a renewed drive to secede from Canada.

Mr Peter Plaut, vice-president for sovereign risk at Salomon Brothers in New York, estimates that Canada's total public sector deficit will shrink to about C$35bn, or 4.4 per cent of GDP, in the year to March 1997, from 5.5 per cent in the current fiscal year and a peak of 9.5 per cent in 1992-93.

Despite progress so far, some questions remain. As Mr Michael Manford, chief economist at ScotiaMcLeod in Toronto, puts it: "Canada is well down the road from ruin. I'm not sure we're quite on the road to prosperity yet."

The risks are reflected in a continuing wide gap between US and Canadian long-term bond yields, currently about 1.57 percentage points.

CIBC's Mr Mendelsohn raises the question whether Mr Martin will stick to his guns as the next federal election – expected to be called next year – draws closer. The popularity of Ontario's new government has plummeted since it unveiled its deficit-cutting strategy.

Mr Mendelsohn also points to the risk that renewed turmoil over Quebec secession could push up interest rates sharply.

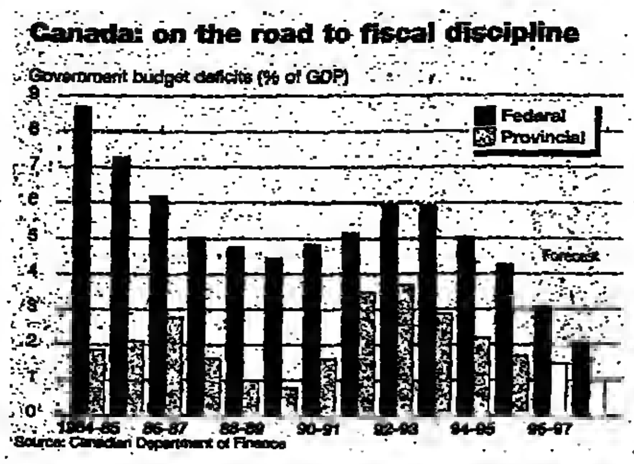
With debt-service charges eating up more than a third of budget revenues, a one percentage point rise in interest rates would push up the deficit by about C$1.3bn in the first year, compounding to C$3bn in the fourth.

For the moment, however, Mr Martin seems more likely to overshoot than fall short of his targets. This week's budget was based on growth and interest-rate assumptions that are more conservative than private-sector forecasts.

Mr Martin estimates GDP growth in 1996 and 1997 at 1.8 and 2.6 per cent respectively, compared to average private-sector forecasts of 1.9 and 2.8 per cent. There is an even wider gap in their interest-rate forecasts.

The budget's deficit forecasts also include "contingency reserves" of C$2.5bn in the coming year and C$3bn in 1997-98. Thanks to these reserves, the finance department estimates that next year's deficit target will be met even if interest rates are a full percentage point higher and growth half a point lower than the budget assumptions.

Canada: on the road to fiscal discipline



Source: Canadian Department of Finance

Quitting the road to ruin: finance minister Paul Martin (left) and Quebec premier Lucien Bouchard

California's recovery masks stagnation in Los Angeles

By Nancy Dunne in Washington

California's heralded recovery from its worst economic slump in six decades obscures continued stagnation in the Los Angeles region's economy.

According to a report released by the Los Angeles Economic Roundtable, a local think-tank, the county has lost 125,000 of its defence-related jobs, nearly half the total, since 1988. High-technology companies related to defence have incurred "wrenching" job losses: 45 per cent in aircraft, 55 per cent in instruments, and 37 per cent in electronics.

The report, "Post cold war frontiers: defense downsizing and conversion in Los Angeles," concludes that the new growth sectors – entertainment, apparel and services – seen as vital to future prosperity, will not be able to replace fully the well paid jobs lost in defence. The "continuing collapse of middle-wage occupations" threatens social stability, the report says.

The Clinton administration sees California as vital to the president's re-election. Numerous initiatives and much defence conversion money have been targeted at the region but these schemes have been cut or drastically curtailed by the Republican-controlled Congress.

The report says long-term strategies will be required if the region is to bounce back. Free market prescriptions – cutting wages and reducing regulation – will not be enough to create a growing diversified economy specialising in the technologies of the future.

Los Angeles' troubles began amid the defence build-up of the 1980s, with the shrinking of non-defence manufacturing.

Not even a country as rich as the US could long sustain deficit-financed growth in military spending. By 1994, total contracts had fallen nearly 40 per cent from $16.8bn in 1988.

But the area retains "formidable assets" as the film capital of the world and a fashion centre as well as host to such ambitious schemes as Calstart, aimed at building an alternative vehicle industry.

Bank probe may hold up Brazilian reforms

Angus Foster reports on how congressmen have unsettled the government of President Cardoso

On Tuesday Brazil's President Fernando Henrique Cardoso said he was "tranquil" about a mounting crisis surrounding the central bank. Just 28 hours and two serious congressional defeats later, he probably wished he had chosen a different adjective.

A Senate decision to investigate Brazil's financial system may be the worst news for Mr Cardoso since he took office 14 months ago.

If the investigation gets under way, it could snarl up the progress of important reforms Mr Cardoso wants approved before municipal elections in October. In the lower house of deputies, meanwhile, the government's already watered-down social security reform failed to win enough votes and is now in serious doubt. "It wasn't our best day," one government adviser said tersely.

The Senate decision was prompted by concern about the central bank's handling of last year's collapse of Banco Nacional, which ran into liquidity problems and was sold to a rival bank. Amid allegations of regulatory incompetence and fraud at Banco Nacional, the government failed to stop opponents collecting the 27 senators' signatures needed to open a probe.

Mr José Sarney, Senate president and potential rival for Mr Cardoso in 1998's presidential elections, backed the immediate launch of the inquiry. Mr Sarney and party leaders will now choose the president and members of the investigating commission, which has no time limit and can call any witnesses.

Mr Sérgio Amaral, the president's spokesman, said the government saw the investigation as politically inspired. "The president thinks [the investigation] is inconvenient and there are no justifications for its installation," he said.

Behind the scenes, the government was yesterday still trying to delay or derail the probe. Mr Cardoso is a consummate negotiator and government concessions may yet stall the process. But Brazil's banks, popularly denounced as too profitable, are such an easy target for both houses of Congress that holding off an inquiry for long will be difficult. São Paulo's stock market, taking a dim view of Mr Cardoso's chances, fell more than 4 per cent on Wednesday with the news of the investigation.

> Congressmen are uneasy at voting for unpopular measures so close to elections

The government's main concern is that an investigation into the banking system would absorb so much of Congress's time that pending constitutional reforms to modernise government and tax systems would be further delayed.

Mr Cardoso, who likes to count off the various reforms on his fingers, has a less than four month "window" to secure approval of these complex changes before Congress goes into recess and becomes preoccupied with the October elections, when about one in five congressmen is expected to run for municipal office.

The last, high-profile congressional inquiry, a 1993 investigation into politicians' corrupt meddling in the government's budget, brought all other congressional business to a standstill for three months. A new investigation might not be as damaging, partly because bankers rather than congressmen would be in the dock. Mr Cardoso is also far better at keeping Congress working than his mercurial predecessor, Mr Itamar Franco.

But Brazil's banking system is so interlinked with complicated political relationships that an investigation could seriously stall wider government policy.

Bankers are concerned the investigation could undermine the credibility of the country's banking system, especially if politicians demand publication of sensitive information and continue attacks on the central bank's performance.

More than 10 banks and financial institutions were shut during last year's liquidity crisis, and others were rumoured to be in trouble. Most analysts think the crisis has passed. But allegations at Banco Nacional, and the central bank's inability to spot the fraud apparently for many years, have prompted worry over whether other institutions have hidden problems.

Mr Cardoso's second defeat, on the social security reforms, came as a surprise to the government. The proposals are intended to end special pensions for privileged groups and raise contributions to finance the government's ever-higher pension bill.

The proposals were opposed by some unions and congressmen themselves who stood to lose privileged pension arrangements.

But after a year of negotiation, the government thought it had enough support to pass its ideas.

That it did not, and was opposed by members of its own ruling coalition, reflects congressmen's unease in voting for unpopular measures so close to elections. Mr Cardoso insisted, following the defeat, that the government would try again to negotiate a new package of reforms.

Blizzards push US index to lowest level for 2 years

By Michael Prowse in Washington

Severe winter weather contributed to a 0.5 per cent fall in the US index of leading indicators in January to its lowest level in more than two years.

The Conference Board, the New York business analysis group that compiles the figures, said the decline largely reflected a sharp fall in the average factory working week, owing to blizzards on the east coast.

Other sources of weakness included declining building permits, a fall in consumer confidence and higher claims for state unemployment insurance.

The January drop followed a gain of 0.2 per cent in December and a decline of 0.2 per cent in November. Since other economic data was affected by the weather, most economists predicted a fall of about 0.6 per cent in January.

The index is meant to predict economic trends six to nine months in advance, but many analysts regard it as an indicator of current conditions.

The index has fallen in four of the past six months, mirroring the sharp slowdown in economic growth evident since last summer.

Economists yesterday were awaiting the release today of employment data for February to judge the likelihood of an economic rebound this spring following weakness during the winter.

NEWS: ASIA-PACIFIC

China pressure on Taiwan voters

By Tony Walker in Beijing

China has stepped up pressure on Taiwan by explicitly linking planned missile tests off the island, due to begin today, with a campaign to intimidate voters in presidential elections being held later this month.

"The actions we are taking are evidence we cannot allow [Taiwan's President] Lee Teng-hui to carry out his 'two Chinas – one China, one Taiwan' policy in the international arena," Mr Tang Shubei, deputy director of China's Taiwan Affairs office, said.

Previously, Chinese officials avoided making a direct connection between military exercises in and around the Taiwan Strait and events in Taiwan. They had described the exercises as routine.

Mr Tang, also Beijing's chief negotiator in cross-strait talks with Taiwan, called on the Taiwanese president to "end the tense situation" and allow resumption of talks broken off last year. He made the remarks in an interview with CNN. Beijing suspended talks on such issues as air, sea and postal links in protest at President Lee's visit last June to the US.

Mr Tang's forthright comments were echoed yesterday by Mr Shen Guofang, China's foreign ministry spokesman. "The exercises will be useful not only to safeguard China's sovereignty and territorial integrity, but to stamp out efforts to create two Chinas, or one Taiwan," he said.

Mr Tang also rejected US criticism of the decision to conduct the missiles tests. "China will never accept the representations and protests from the US side on this issue," he declared.

"It is China that should lodge a protest, because the question of Taiwan is entirely China's internal affair, in which other countries have no right to interfere."

The US state department described the missile tests as "irresponsible" and warned there would be "consequences" if the tests went wrong. Taiwan has expressed alarm over the possibility that China's M-9 missiles might stray off course and land in populated areas.

Mr Shen played down these concerns. "The missiles will pose no real danger," he declared. China has said it will conduct the tests in waters north and south of Taiwan from March 8 to 15. It warned ships and aircraft to keep clear.

Okinawans reacted angrily yesterday to the Naha district court's sentences of a maximum seven years' prison for three US servicemen found guilty of raping a 12-year-old local girl, AP reports from Naha, Japan. "Animals (Americans) Get Out," said one banner near the court (above). "Prison will be too bearable, unlike the pains inflicted on the girl and her family," Okinawan Women Act Against Military Violence said.

Okinawa Governor Masahide Ota said he would continue efforts to reduce or remove US military bases from the island. "The prefecture will work on the base problem," he vowed. The rape has put Japan-US ties under pressure and is expected to feature in a summit between US President Bill Clinton and Premier Ryutaro Hashimoto in Tokyo next month.

US Navy seaman Marcus Gill, 23, and Marine private Rodrico Harp, 21, were each sentenced to seven years, and Marine private Kendrick Ledet, 20, to six-and-a-half years.

Beijing plays to weaken Lee's hand

But the reaction has been defiant, write **Peter Montagnon** and **Laura Tyson**

A new election poster appeared on the streets of Taipei this week. It shows President Lee Teng-hui dressed in Superman garb and single-handedly holding back a Chinese missile as it hurtles through the sky. Behind him is a flock of admiring doves.

It would be pure kitsch if the message did not have more than a ring of truth. The response of ordinary Taiwanese to China's missile tests, due to start today in waters near the island, has been one of defiance and resentment rather than fear.

Opposition politicians such as Mr Chiou I-jeo, secretary-general of the Democratic Progressive party, admit the effect may be to boost Mr Lee's standing with voters. Mr Lee offers both stability and the authority to deal firmly with China. China's tests could thus fail in their apparent objective of undermining his chances in presidential elections on March 23.

Because of their proximity to Taiwan's main ports, China's tests mark a rise in tension across the Taiwan Strait. The immediate impact on shipping and air transport looks likely to be smaller than initially expected, requiring only relatively minor detours.

However, China has shown it has the capacity to blockade Taiwan.

That will further erode economic confidence. The central bank intervened heavily this week to prevent Taiwan's currency falling below its target floor of T$27.5 to the US dollar. Share prices recovered slightly yesterday after two days of sharp falls, largely because of buying by the official stabilisation fund.

Moreover, conviction is growing that the pressure will not end with the elections. If China's move does turn out largely ineffective, it may feel obliged to ratchet up its actions.

Though close to Taiwan's coast, the missile tests will be just in international waters. That puts them at the boundary of what is legal and therefore technically permissible. Defence analysts fear the next escalation may cross that boundary.

China would not risk an invasion, says Mr Andrew Yang of the Council of Advanced Policy Studies, because it lacks amphibious troop transport capacity. Taiwan's air force could stop an invasion before it arrived.

Instead, he says, China could seize an uninhabited island off Taiwan which would almost certainly provoke a military response. There would then be the gruesome prospect of military action in one of the world's busiest shipping lanes. But China's real thinking is impossible to fathom, forcing people to rely on rumours and guesswork.

China's leadership is seen to be lacking in self-confidence and vulnerable to pressure on Taiwan from the military, one western analyst says.

Reunification with Taiwan has shot up the priority list because of the weakness of the leadership, but that does not mean the eventual successors of Deng Xiaoping will take nearly such a hard line.

On the most sanguine interpretation, that could mean China is responding simply to the election, which it sees reflecting a drift towards formal independence.

President Jiang Zemin also needs a show of strength to bolster his domestic position during the current National People's Congress. The tension should abate once these events are over.

The snag is the depth of mutual suspicion. Mr Tang Shubei, a senior Chinese official, told a television interviewer yesterday that "a split [of Taiwan and China] cannot be permitted".

China would resume talks with Taiwan only after Mr Lee reaffirmed his commitment to unification and promised to stop his campaign for independent recognition.

China, whose official Xinhua news agency has called Mr Lee "a sweet-talking chameleon", simply does not accept his formal position which remains in favour of eventual unification.

Nor does it appear to have noticed that Taiwan has in recent months scaled back its campaign to join the United Nations. It believes, as indeed do many Taiwanese voters, that Mr Lee's secret goal remains full independence.

For his part Mr Lee has offered a peace treaty, which China has forcefully rejected. He says Beijing is attempting to thwart Taiwan's democratisation.

One of the government's first reponses to China's test announcement was to affirm the elections would go ahead. "If we give up democracy as they demand, we will end up like Hong Kong," Mr Lee says.

With the two sides so much at loggerheads, it is difficult to see what concession either could make to calm matters, especially since China's statements on Taiwan have begun to carry much greater urgency.

Among more pessimistic observers, Mr Peter Kurz, head of ING Barings in Taipei, says China appears determined quickly to force Mr Lee to strike a deal, giving at least a broad timetable for unification.

Beijing is concerned, he argues, that if it waits too long after Taiwan is democratised, the opportunity may slip away. It is therefore in China's interests to step up the pressure as far as it dares, both during and after the election campaign.

Taiwan's official mainland affairs council, which deals with China policy, says Mr Lee will make a conciliatory gesture after the election, offering a resumption of contacts, possibly with an expanded agenda and broader participation to include government officials.

China's response is highly uncertain. It broke off previous informal talks on fishing disputes, illegal immigrants and repatriation of hijackers, after Mr Lee's visit to the US last year. It has since ostentatiously ignored Taiwan's proposal for direct shipping links.

Much depends on the strength of support for Mr Lee in the election. His Kuomintang party aims to win more than 50 per cent of the total votes in the election. That would help him take a firm line.

Chinese intimidation seems partly intended to reduce that share as far as possible. If Mr Lee loses ground, particularly to the New party which advocates conciliation with China, his hand may be weaker.

Taiwan's cabinet yesterday approved a record budget for 1996-97 and set aside a special fund to buy fighter jets as tensions with China intensify, Reuter reports from Taipei. The cabinet set the budget for the year to June 1997 at T$1,212bn (£28.9bn), up 6.8 per cent. Defence spending is set to rise 3.8 per cent to a record T$255.3bn, accounting for 21 per cent of total spending. A special budget of T$166.2bn was set up, of which T$58.2bn is earmarked for US and French fighters. The government hopes the budget can boost GDP growth, which eased to 6.06 per cent in 1995 from 6.54 per cent in 1994. The deficit will be T$153.8bn. Some T$110bn in construction bonds will be issued, and T$43.8bn from previous surpluses used to balance the budget. The budget needs approval by parliament, which can amend it.

Tokyo to relax currency curbs

By William Dawkins in Tokyo

Japan's finance ministry intends by the end of this month to issue plans to ease some curbs on currency transactions by securities houses and other companies with foreign businesses.

Senior officials said yesterday they accepted in principle proposals by a working party of the ruling coeltion to allow companies to "net out" foreign exchange transactions between different subsidiaries, to reduce the number of transactions necessary with authorised foreign exchange banks.

The coalition called for an end to the present ceiling of Y100m allowed for such offset deals and an end to the present requirement that companies must get official approval for foreign exchange transactions carried out two years after the original deal was struck.

Economists in Tokyo said these were minor technical changes but nevertheless significant as the latest in a series of steps to encourage freer trade in the yen.

● The Health and Welfare Ministry is to lower mandatory prices on drugs covered by public health insurance by an average of 6.8 per cent, effective from April 1, Kyodo adds.

The decline is larger than the previous decrease of 6.6 per cent two years ago.

Market prices of these drugs are often lower than the mandatory prices set by the ministry, providing room for private hospitals to make a profit because public heath insurance pays them for the drugs at the mandatory prices.

Asean forum to fight Internet sleaze

Information ministers from the Association of South-East Asian Nations agreed yesterday to set up a forum to consult each other on trying to prevent an influx of pornography and other "negative elements" from abroad through the Internet, Kyodo reports from Singapore.

The ministers said at the end of a one-day meeting in Singapore that they have also agreed to set up an Asean satellite television channel to promote programmes from an "Asian angle" and expand the Asean home page on the Internet to include more information about Asean countries.

The decisions underscore concern among Asean governments about "an invasion of information from America and Europe morally objectionable or politically subversive from an Asian viewpoint, amid an over-rapid advance" in information technology.

The seven member association wants to take advantage of the new technologies to promote so-called "Asian values" in the region and the rest of the world.

"Balance must be struck between free access to information and the need to maintain the values of society," Mr Goh Chok Tong, Singapore's prime minister, said when opening the meeting, held once every three years.

The forum will comprise government officials and experts. The first meeting is expected to be held in Singapore some time this year.

All the Asean information ministers had expressed concern about "information contamination" through the Internet and agreed on the necessity to introduce seme kind of regulation in their respective countries.

The forum will enable Asean countries to learn from each other's experience, particularly from Singapore, which while promoting information technology extensively, recently introduced a regulation requiring all Internet service operators to obtain a government licence; and for political and religious groups to register to run their Internet web sites.

The ministers agreed a group of Asean experts will meet in Malaysia some time this year to discuss details of setting up the Asean satellite television channel. They aim to launch it within two years.

They also said the ministers agreed to meet when necessary in between their regular conference to keep pace with advances in information technology.

● Indonesia, Malaysia and Singapore, three Asean members, agreed yesterday to expand an economic co-operation area to include larger areas in Indonesia and Malaysia, AP adds from Jakarta.

The agreement on the "growth triangle" reaching across the Strait of Malacca came at the end of a two-day meeting in the west Sumatran city of Bukittinggi among officials of the three countries.

Under a 1994 agreement, the area included Indonesia's Riau Islands, Singapore and Malaysia's Johore state. Added to the area were West Sumatra and Malacca provinces in Indonesia, and Negri Sembilan and Pahang states in Malaysia.

Indians look to highest court for governance

Shiraz Sidhva looks at the growing power of the judiciary

Faced with discredited politicians across the political spectrum, and a parliament that has failed to make the executive accountable to it, Indians are increasingly turning to the Supreme Court to ensure good governance.

In recent months, the country's highest court has responded to litigation brought by members of the public to direct the government on issues ranging from removing garbage from Delhi, to shutting polluting industries and endorsing the government's method of privatising its telecommunications services.

Previously, such suits were largely confined to areas such as human rights and the environment. But what has made the judiciary particularly powerful in recent months is a series of judgments in cases involving alleged corruption at the highest levels.

A Supreme Court order in January forced the Central Bureau of Investigation, the government's investigative agency, to take action against top politicians in an $18m (£12m) "payments" scandal, though the case came to light five years ago. Nobody in the executive, it seemed, was willing to take action against some 115 politicians and bureaucrats who had allegedly accepted bribes from Mr Surendra Kumar Jain, a Delhi businessman, because leaders from almost every political party were said to be involved.

The court's intervention, following a public-interest suit filed by two journalists, has shaken India's political establishment to its foundations. Nearly a quarter of the cabinet of Mr P V Narasimha Rao have resigned, 45 politicians and bureaucrats have been charged, and more heads are expected to roll.

Mr Justice Jagdish Sharan Verma, one of three Supreme Court judges bearing the case stemming from Mr Jain's alleged *hawala* (illicit currency exchange) activities, defends the court's new assertiveness. "There is a mnch greater awareness among the people, an awareness that change can be brought about."

Mr Ashis Nandy, political scientist and director of the Centre for Developing Societies in Delhi, says: "The more politicians discredit themselves, the more the other arms of the state gain in power and status. The Supreme Court has acquired almost mythical stature as an uncompromising crusader".

This reflects in part the appointment to the bench in recent years of a number of independent-minded judges. The court's justices owe their elevation to the president, a figure above party politics appointed by the upper house of parliament. Once installed, they serve for a fixed five years. Attempting to remove them would be messy.

Last week, the court made it clear that nobody, not even the prime minister, was above the law. It directed the bureau to take no instructions from any authority allegedly personally interested in, or likely to be affected by, the outcome of the investigations into the *hawala* case. The order sparked a heated debate on the judiciary's unprecedented activism, and furore in parliament.

A petition filed before the court cited allegations in the media that the bureau was letting Mr Rao off the book while other politicians were being penalised. Mr Jain, the main accused in the scandal, was said to have told bureau officials in an oral confession in March 1995 he had paid the prime minister $1m. Investigators brushed aside the claim, saying the charge had "no reasonable basis". But the court's order may force the bureau to investigate the charge further.

It was essential for the court to eliminate "any impression of bias and avoid possible erosion of credibility of the ongoing investigations" in the case, the ruling said. Though the *hawala* case is the most dramatic example of the judiciary taking on the executive, the court has recently responded to public interest litigation to rule on other cases of corruption in high places, which Indians hope will help stem the rot in the political system.

The court has passed landmark judgments on issues such as job reservations for the poorer classes in 1991, and the crisis caused by demolition of a mosque in Ayodhya in 1992. Last month, the court ordered the bureau of investigation to conduct an inquiry into what it termed a "housing scam", in which officials of the urban development ministry allegedly allotted more than 8,700 government bouses out of turn to MPs, officials and former ministers "for extraneous considerations".

The court has ordered the government to remove those who allegedly bribed their way to prime property in the capital. In January, the Supreme Court ruled that political parties must file tax returns stating the amount and sources of their funding. Some parties had not filed returns for over a decade. That order was in response to a petition filed last year by Mr H D Shourie, a retired civil servant who heads Common Cause, a public-interest organisation using public interest litigation to fight an unresponsive govarnment since 1983. "The executive has become impervious to public grievances, so people are forced to knock at the doors of the court, where they are beginning to get positive reactions," Mr Shourie says.

"As a result, the Snpreme Court has virtually become the government, which is not necessarily a good thing." Fears exist that the balance of power with parliament and the executive as envisaged by the Indian constitution could be upset.

Mr Justice A M Ahmadi, chief justice of India and head of the Supreme Court, says: "Fears of judicial tyranny are really quite nnfounded, because judges themselves are aware of the fact that the non-elected judiciary is neither meant nor equipped to act as a policy-making body."

According to Mr Justice Ahmadi, "by virtue of the fact that the present situation is a corrective measure, the phenomenon of judicial activism in its aggressive role will have to be a temporary one."

The court has felt obliged to "expand its jurisdiction by, at times, issuing novel directions to the executive – something it would never have resorted to had the other two democratic institutions functioned effectively."

Retail optimism fuels rate cut expectations

By Robert Chote, Economics Editor

The chancellor and governor of the Bank of England met yesterday to discuss a further cut in interest rates, as the number of retailers expecting to increase sales reached a seven-year high.

Economists expect bank base rates to be cut by a quarter of a percentage point today – to 6 per cent – notwithstanding evidence of robust consumer spending. This would be the third reduction in four months and probably trigger cuts in mortgage and savings rates.

The Confederation of British Industry said it would welcome a rate cut, but it was not calling for one as a matter of urgency. Ms Kate Barker, the CBI's chief economist, said a quarter-point cut would pose no inflationary danger.

The CBI's latest distributive trades survey, meanwhile, painted an upbeat picture of activity in Britain's shops. For the fifth month running more retailers reported rises in sales over the preceding year than reported sales falling.

Some 52 per cent of retailers expect sales this month to be up on a year ago, compared to 7 per cent predicting that they will be lower. This 45 point balance expecting an improvement is the biggest in any survey since the end of 1988.

Sectors linked to the housing market did particularly well, perhaps reflecting a pick-up in the number of people moving house in January.

Retailers still report that stocks of unsold goods are excessive relative to expected demand. They expect to reduce their stock overhang this month, but the proportion of retailers planning to order more from their suppliers rose uonetheless to its highest level since the 1980s.

Retailers have been finding it easier to raise prices. The net proportion reporting they had raised prices in the past year reached its highest level in nearly two years. But the CBI said this increase was below average and was from a low base.

Mr Alastair Eperon, chairman of the CBI distributive trades panel, said price increases were unevenly distributed between sectors of retailing and conditions in most parts of the market remained competitive.

Mr Richard Jeffrey, of Charterhouse Bank, said the survey pointed to sharp consumer spending growth this year, perhaps eveo exceeding the Treasury's 3.5 per cent forecast.

"Further rate cuts would be entirely inappropriate at the moment," Mr Jeffrey said. He added that if rates were cut today, it would be almost inevitable that they would have to rise again later this year.

Mr Clarke is expected to justify any rate cut by arguing that inflationary pressure remains subdued. The Bank said last month that inflation was back on course to hit the chancellor's target. The Central Statistical Office said the so-called "longer leading indicator" – supposed to predict economic turning points a year in advance – was flat last month, the first time since June 1994 it has uot fallen.

Clinton snubs Adams over IRA ceasefire

By John Kampfner, Chief Political Correspondent

Mr Bill Clinton, the US president, is planning to invite Mr David Trimble, leader of the Ulster Unionists, and other prominent Northern Ireland politicians to a White House St Patrick's Day party next week – but not last year's star of the show, Mr Gerry Adams, Sinn Féin president.

Mr Trimble is understood to be ready to accept the offer and is preparing to take with him a typical Ulster present of damask linen from a factory in his constituency. The Rev Ian Paisley, leader of the Democratic Unionists, is also being urged to attend.

The attendance list for the March 15 party reflects a new mood in the US administration following the IRA's Docklands bombing which ended its ceasefire.

Mr Clinton's advisers have stepped up their already close monitoring of Northern Ireland affairs with a series of meetings with the province's leaders in recent weeks.

Although Mr Adams' US visa has been renewed, the administration has made clear he is not welcome at the White House until the IRA re-establishes its ceasefire. Fundraising has also been banned.

Mr Trimble may leave for Washington on the day the British government announces its choice for an electoral mechanism for Northern Ireland.

The UUP leader received no assurances from Sir Patrick Mayhew, Northern Ireland secretary, on Wednesday, that his proposal for Westminster-style constituencies may win government support.

Conservative backbenchers have warned Mr John Major, the prime minister, that a perceived snub to Mr Trimble might jeopardise his support for the government, whose majority has shrunk to only two.

Mr Major has made clear, however, he will not take party in "grubby deals" over Ulster to preserve his majority, especially at a time of renewed IRA violence.

In what was seen as its response to last week's Anglo-Irish announcement of all-party negotiations on June 10, the IRA made clear last night that the need for armed struggle remained "given the current political conditions".

A year ago, Mr Adams was feted at the White House in the event that is top of the calendar for all Irish-Americans. He was even called upon to sing a duet with Mr John Hume, leader of the moderate nationalist Social Democratic and Labour party, for the guests. Unionist leaders refused to attend.

Last November, Mr Clinton made a point of stopping his cavalcade through west Belfast, during his ground-breaking visit to the province, to drop into a cafe with Mr Adams.

However, Mr Adams has refused to condemn the bombings and to deliver what many Irish-Americans hope will be a second ceasefire.

UK NEWS DIGEST

Stricken tanker 'had no plan'

The master of the Sea Empress – the tanker which ran aground in the entrance to Milford Haven harbour in south Wales last month – had not agreed a plan of approach with the port's pilot, a marine accident report said yesterday.

The Department of Transport's marine accident investigation branch made no comment on the reasons for the grounding, which led to the loss of 60,000 tonnes of oil, in its interim report. But the absence of a plan appears to be the only area where all was not well.

A plan of approach would not necessarily be drawn up every time an experienced master made an approach to a port but it would be sound practice, marine industry experts said.

The investigators' report described "a shuddering vibration" as the Liberian-registered tanker came alongside of the mid-Channel rock lighthouse. This was followed by "a sound from the deck below of liquid being forced under pressure and a strong smell of oil." The Sea Empress had no known deficiencies when the pilot went on board and all certificates relating the vessel and its crew were valid, the report said.

Charles Batchelor, Transport Correspondent

Scots property on market

A £100m price-tag has been pinned on Scotland's largest portfolio of industrial property, ranging from small workshops in Aberdeen to large headquarters outside Glasgow. SPP, the Swedish life insurer, has decided to sell the portfolio, which covers 4.5m sq ft of industrial buildings and 110 acres of land centred on Glasgow's Hillington industrial estate. The buyer will receive rent of abont £10m a year from tenants ranging from multinational companies such as Rank Xerox to dozens of small companies.

The portfolio last changed hands in 1990 when the government instructed the Scottish Development Agency to sell its property holdings. The buyer was London & Edinburgh Trust, then one of the brightest stars of the 1980s property bull market. SPP took control later the same year following its £490m takeover of LET, just as the UK property market started to slide into recession.

Simon London

Arizona firm boosts pit town

A Northumberland town once reputed to be the world's biggest pit village was yesterday celebrating the announcement of its first big inward investment project for 20 years. Wansbeck district council said the choice of Ashington by Simula Inc of Arizona for the company's first manufacturing operation outside the US was a "breakthrough" for the area, which has lost 5,000 manual jobs, mostly in coal mining, since the mid 1970s.

Simula Automotive Safety Devices, a subsidiary of Simula, will make side impact head protection air bags in a 30,000 sq ft factory on the Wansbeck Business Park. The £4m investment is expected to create 180 jobs.

Chris Tighe

Work permit rules relaxed

The government has relaxed its rules for the granting of work permits for foreign footballers. The change will allow Ilie Dumitrescu, the Romanian international, to move from Tottenham Hotspur to West Ham for £1.5m and Swiss star Marc Hottiger to join Everton from Newcastle United for £750,000. They had been unable to play for their new clubs for more than a month after their transfers had been blocked under the old rule that foreign international players would be refused new work permits if they had not played in at least 75 per cent of their previous club's games.

Patrick Harverson

Britons take more holidays

The British took more than 86m holidays last year – more than three holidays per household – compared with 74m in 1990, according to Mintel, the market analysts. Holiday expenditure totalled more than £25bn (excluding fares to foreign destinations), but only 40 per cent of this was spent in the UK. The West Country was the most popular region in England for holidays, followed by the southern region and East Anglia. London appealed for short breaks only. The main reasons for choosing a British holiday were convenience, visiting "my own country", and cost.

Diane Summers

Top 10 English destinations

Millions of visitors annually

Source: Tourist Boards/Mintel

Workers 'will remain full-time'

By Robert Taylor, Employment Editor

Deep divisions in the cabinet emerged last night over proposals by Mr Michael Heseltine, the deputy prime minister, to strip workers in small businesses of their employment rights.

The plans to exclude over 7m workers in small firms from the protection of UK employment law have prompted fierce opposition from both cabinet colleagues and trade unions.

Under the plan, staff would no longer be able to seek damages for unfair dismissal or contest non-payment of wages and cases of racial discrimination before an industrial tribunal.

Labour market

Employment type	1985 %	1995 %	2005 %
Permanent	84	82	79
Part-time	21	24	25
Self-employed	11	13	13.5
Temporary*	5	6	8

*Employees with or without contracts
Source: Business Strategies

The vast majority of British workers will still be in permanent full-time joba 10 years from uow, with less than 6 per cent employed ou temporary contracts, according to a government-supported study of the future of work.

Its findings – based on the data from official government Labour Force survey statistics – questiou the widely held assumptiou that a highly flexible labour market is rapidly being created in the UK.

The survey is published today by Business Strategies, the independent private coosultancy company.

It forecasts that as many as 79.2 per cent of all employees will still be in full-time, permanent jobs in 2005 compared with 82.1 per cent today and 83.9 per cent 10 years ago.

"Our forecast certainly does not indicate an end to permanent employment," the report says.

It also says that the expansiou rate in part-time jobs, short-term coutracts aud self-employmeut was faster during the past 10 years than it will be between now and 2005.

It predicts that the number of temporary employees with coutracts will increase from 1.5m at present to just more than 2.5m by 2005, a growth from 6.9 per cent to 8.3 per cent of the total labour force. "Whilst the number of temporary workers has undoubtedly risen, there is no clear evidence that this has been at the expense of permanent employment," says the survey.

The growth rate of self-employment is also expected to slow from 23 per cent during the past decade to 9.6 per cent between now and 2005. Some 3.6m people, or 13.5 per cent of the workforce, will be self-employed 10 years from now compared with 3.3m, or 13.1 per cent of the workforce today.

The survey also forecasts a slowdown in the growth rate of part-time permanent employees from more than 20 per ceot over the past 10 years to 10.7 per cent during the next 10 years.

This means tbe proportion of part-time employees in the workforce will increase by only 1 perceotage point to 24.8 per cent in 2005 from 23.8 per ceot today, a rise from 6m to 6.7m.

The survey says that tha uumber of people in their job for less than two years has risen from 24 per cent to 28 per cent since 1984 but "this is as much a reflection of changes in the uumber of employees as any increase in labour market flexibility".

The survey looks in particular at future employment patterns in business and financial services. It suggest that two-thirds of those working iu these areas will be in permanent full-time jobs in 2005, compared with 68 per ceut today.

Ten years from now, employees ou short-term coutracts will account for 3 per cent of workers in business and financial services compared with 2 per cent today. Some 15.7 per cent of the sector's workforce will be self-employed compared with 14 per cent today.

Business advisers' revenues up 15%

By Tim Dickson

Confirmation that management consultancy is a growth business was provided yesterday in the 1995 results from members of the industry's main trade body.

Aggregate revenue of firms belonging to the Management Consultancies Associatiou jumped 15 per cent to £1.25bn ($1.91bu) last year. Income from ontsourcing showed a 46 per cent growth.

The three activities that the MCA says are associated with an expanding economy – strategy, marketing and human resources – also showed a strong advance. However, revenue from public sector work fell £71m to £182m. Overseas growth was also minimal.

Recent criticism at Westminster of the amount spent on outside consultancy by government departments is thought to have had an effect.

"There is political pressure to reduce the spend on consultancy irrespective of whether there is a ueed, and also to avoid consultaucies with brand names," Mr Ian Harvey, the MCA president, said yesterday.

Mr Harvey believes "all the traditional indicators of a growing economy" are reflected in the 1995 results. Income from corporate strategy and organisation development was up 40 per cent at £138m. Marketing and corporate communication was up 50 per cent at £28m, and human resources work pulled in £61m, up 52 per cent on a year ago. Financial and administrative systems income, mainly connected with work for City institutions, rose by 42 per cent to £82m last year.

Banks consider launching 'electronic purse' system

By Alison Smith, Investment Correspondent

Four UK high-street banks are in detailed talks on launching a stored-value smart card or "electronic purse".

A decision whether to proceed is likely to be taken in June, and a pilot project could be launched around the turn of the year.

The four – Barclays, Lloyds TSB, Abbey National and Royal Bank of Scotland – are considering setting up a competitor to the Mondex card, which is backed by National Westminster Bank, Midland Bank and British Telecom.

The electronic purse could be a separate card or an extra function on credit cards. Like Mondex, customers could load up the card with money and then spend it in any shop where there is a matching handling machine.

But on current plans it would operate on a different basis from Mondex and use Visa payment systems. A Mondex card can be used to transfer value from one individual to another – for example within a family – as well as using it in the high street. The Visa system would require retailers to be registered, and records of all transactions to be kept.

If both systems develop separately, there is a risk that retailers would have to use different machines to handle purchases on different cards.

The Mondex card has been piloted in Swindon since July last year, and an extension of the pilot could be announced within the next few weeks.

One suggestion for piloting the new electronic purse is a "commuter card" scheme in which machines to load up the cards with cash would be located at rail stations and shops at stations would be equipped to take the card. Another prospect is of reaching agreements with food outlets particularly likely to appeal to young people.

He said it would be important for the banks to make sure that retailers could take whatever mix of cards they wanted, without having to use different terminals.

Asean forum to fight Internet sleaze

Government poised to announce EMU referendum

By Robert Peston, Political Editor

The government is likely to announce a decision in favour of holding a single currency referendum in the next few weeks, following a review to be carried out by the foreign secretary, Mr Malcolm Rifkind.

The prime minister wants to make such a commitment, in the hope that it would reduce the incessant bickering in the parliamentary Conservative party about European monetary union.

However, he is facing opposition from two of his most pro-European senior colleagues, the chancellor, Mr Kenneth Clarke, and the deputy prime minister, Mr Michael Heseltine.

Senior members of the government hope that Mr Rifkind's review will find a way of allaying their concerns. However Mr Clarke has made it clear that he regards the issue as of fundamental importance.

Mr Clarke is concerned at the government's drift in a sceptical direction and is understood to regard a referendum commitment as the "final straw", according to one of his colleagues.

It is believed he may threaten to resign over the issue. However, a senior member of the government said last night that "Ken is far too sensible to push it to the wire in that way".

Mr Clarke and Mr Heseltine have become more isolated on the issue, following a change of heart by Mr Michael Portillo, the defence secretary and leading Eurosceptic member of the cabinet. Mr Portillo had also been arguing against a referendum, but has now decided to back whatever decision is taken by the prime minister.

A minister said yesterday that it was possible that a compromise agreement could be reached with Mr Clarke, so that when a decision on the referendum is taken, the principle of collective cabinet responsibility could be waived to allow the chancellor to signal his disagreement.

Mr Clarke once again signalled his strength of feeling on the single currency when he accused Eurosceptics of being "obsessive and hysterical" about the issue.

In a BBC radio interview, he said it would be better to take the referendum decision "if and when it happens".

The prime minister yesterday told the Commons that he had "made it clear on previous occasions" that he believed "a referendum on joining a single currency could be a necessary step" and he remained of the view that "it might be the right course".

Late last year, he said that any referendum would only take place after the cabinet had taken a decision to join the single European currency. Mr Rifkind's review will consider whether such a plebiscite would take place before or after the Commons has the opportunity to vote on the issue.

Eurosceptics were also yesterday lobbying the government to rush an act through parliament suspending the applicability of European Union law on the UK courts pending the outcome of the forthcoming intergovernment conference on reforming the EU's institutions.

Their move followed widespread anger at the recent decision to allow Spanish fishermen to sue the British government for damages.

Banking regulator highlights failings

By George Graham, Banking Correspondent

The UK's top banking supervisor yesterday called for better co-operation among regulators – and especially between banking and securities industry regulators.

In a speech to the International Swaps and Derivatives Association's annual meeting in San Francisco, Mr Michael Foot, head of banking supervision at the Bank of England, said the collapse of the UK's Barings group and the bond trading losses incurred by Japan's Daiwa Bank in its New York operations had pointed to shortcomings in the exchange of information between regulators.

"Each host country may have a piece of the jigsaw. Who is going to piece these together?" he asked.

In the Daiwa case, Japanese supervisors had failed to share information about the trading losses with their counterparts in the US.

Although co-operation among banking supervisors now works reasonably well, Mr Foot indicated that there were still differences of approach with securities industry supervisors.

He urged securities regulators to accept that for each financial group, there should be one lead regulator who takes charge of the exchange of information and takes a primary role in managing any emergency that might arise.

The lead regulator should take responsibility for the consolidated supervision of groups that may be spread across a range of countries and segments of the financial industry, he said.

Mr Foot said bank supervisors now accepted the idea of a lead regulator, but not all of their securities counterparts did – "perhaps because they have the view that typically security firms' assets are more liquid and that, therefore, problems arising in the rest of the group will not prevent an orderly winding down of the securities operation."

Rhetoric over single currency under scrutiny

By Gillian Tett, Economics Correspondent

As the preparations for any possible European single currency gather pace, Courtaulds, a UK producer of the man-made fibre Tencel, is watching the European rhetoric closely.

Courtauld's other main European competitor in tencel, most of which is made into fabrics, is based in Austria – a country which would almost certainly be part of any possible single currency group.

Mr Sipko Huismans, Courtaulds finance director, fears that, as a result, if any protectionist rhetoric ever emerged under Emu, Tencel might one day be affected.

"There is no actual protectionism now and none threatened. But if some countries proceed with monetary union, the threat can't be dismissed," says Mr Huismans.

Such fears might seem fanciful, given the multitude of uncertainties that still surround the single currency project. Far fetched or not, these concerns largely stem from rhetoric that has emerged from the continent itself, particularly France.

The slide in value of the Italian, Spanish and UK currencies against the French and German currencies in the last two years has prompted howls of outrage from some Freoch companies.

In recent months the issue has faded slightly, as some of these currency swings have moderated. But the memory of the swings remains fresh – leaving many business observers and French officials adamant that countries which remain outside a future single currency must be tied into a Euro through some form of exchange rate mechanism to guard against future "competitiva devaluations".

The problem is that the UK is deeply opposed to any re-entry into a new ERM – a stance that many French observers believe would risk splitting the single market. Most vocal in these threats is Mr Jacques Calvet, director of Peugeot, who has warned that a failure to create currency "order" could lead to protectionism.

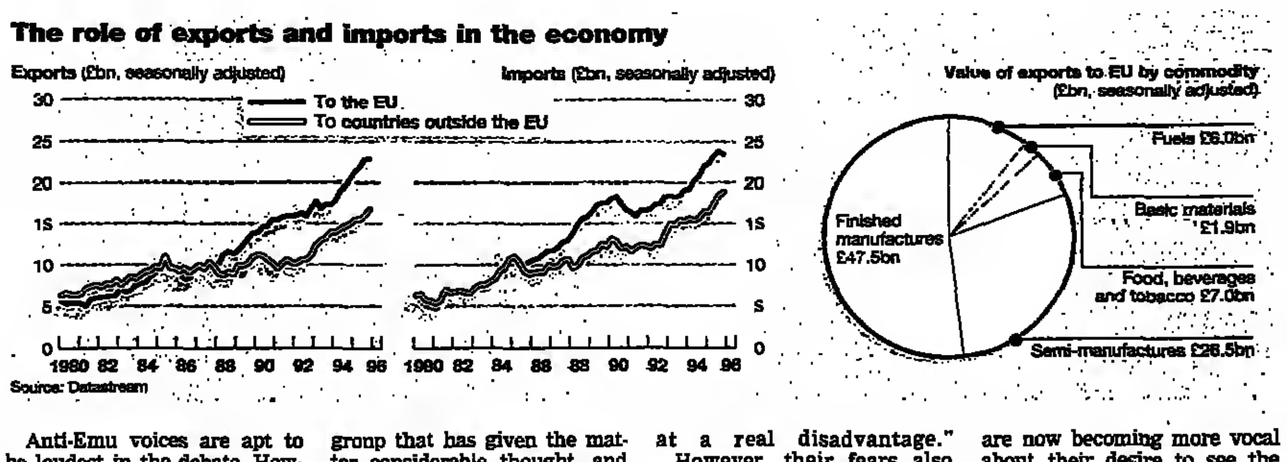
Meanwhile, Mr Gerard Soulas-rue, of the Danone French food conglomerate and the country's accountants association, says: "France will no longer tolerate countries like the UK or Italy in a single market if they might engage in competitive devaluations."

Optimists at the European Commission insist it is unlikely this French rhetoric would ever lead to any action, not least because they are not currently matched by similar demands from Germany. If sterling remains strong – or a future UK government accepts a link to the Euro – the issue would disappear.

Business balks at anti-EU sentiment

By Gillian Tett, Economics Correspondent

The role of exports and imports in the economy



Source: Datastream

A group of chemical executives recently paid a private visit to Mr Michael Portillo, defence secretary, to deliver a heartfelt warning.

Unless the UK toned down its anti-European rhetoric in the single currency debate, then the chemical sector and other British businesses operating in Europe could be seriously damaged, they argued.

The plea, to one of the cabinet's leading Eurosceptics, appeared to fall deaf ears. "Portillo seemed to be telling us that that was just the price to pay for being British," one participant mutters.

But the lobbying mission highlights growing concern within the chemical sector about some Conservative politicians' determination to ensure that Britain's single currency opt-out becomes permanent – and the impact this would have on the UK's success within the single market.

On the face of it, these fears so far have been relatively muted in the single currency debate in the UK. The Confederation of British Industry, for example, called earlier this week for a more "business-focused" debate on Europe. But with the CBI membership itself polarised, the organisation studiously adopted a pragmatic line, carefully following the government's "wait and see" approach to possible membership. The cautious stance has infuriated some businessmen. A group of senior executives opposed to Emu last month joined forces to decry the project.

Anti-Emu voices are apt to be loudest in the debate. However, an informal survey of 20 of the largest companies shows that although opinions remain very divided about the actual merits of Emu, several large groups are quietly stepping up their analysis of business scenarios if Emu goes ahead.

ICI recently created a task force to look at the issue, while British Airways made a similar move last year. Shell has discreetly done the same – although it remains highly touchy about the project. Meanwhile, the banking sector has markedly stepped up its work since the Madrid Emu summit at the end last year.

For some companies, the conclusions of these studies are worrying. In particular the flurry of protectionist rhetoric that emerged from countries like France in the aftermath of the currency swings last year, has left some fearing that subtle forms of protectionism could emerge if the UK stays outside Emu.

BAT, for example, is one group that has given the matter considerable thought, and is now trying to integrate its European treasuries to prepare for any monetary union.

It says that a single currency without the UK is unlikely to affect its core tobacco business. But it is alarmed about the threat of protectionism for its financial services group, as it attempts to expand into Germany.

However, it is the chemicals sector which is perhaps most vocal in its fears.

The chemical industry's awareness of the issue – and its willingness to lobby – partly stems from bitter experience. For with 80 per cent of the legislation affecting the sector now emanating from Brussels, chemical companies believe that the UK's anti-European stance is already harming them.

As Mr Bryan Sanderson, managing director of British Petroleum says: "British companies now start every single debate a few steps back in Europe – that puts us at a real disadvantage."

However, their fears also reflects the nature of their investments. The companies need to make large, long term investments that could be seriously affected by a single currency or rising protectionism.

So far there is little evidence that these concerns have affected investment decisions yet: most executives insist that the short term difference in labour costs between the UK and countries like Germany is still offsetting any longer term risks.

Indeed, some foreign observers are even claiming that the UK staying outside a single currency would boost foreign investment. Mr Haruko Fukuda, deputy chairman of Nikko Securities says: "Japanese investors would actually prefer Britain to stay outside the single currency so that their production hases here continue to enjoy the benefits of a competitive exchange rate."

However this view remains rare: many foreign investors are now becoming more vocal about their desire to see the UK to stay at the heart of Europe.

Mr Haruyuki Miyadai, head of policy planning in Europe for Toyota, says: "For us it is very important that the UK remains in the mainstream of the European Union like France and Germany. What concerns us is a worst case scenario where the UK opts out and political and emotional relations with Contental Europe worsen."

Most companies might insist that this scenario is still hypothetical. Indeed, a few like pharmaceutical group Zeneca and construction giant Tarmac are confident enough to argue that EMU will never actually occur.

But few companies in the chemicals sector are prepared to make such bold assumptions with so much business at stake – whatever the twists in the UK political scene.

Additional reporting by Michael Cassell, Jenny Luesby and Daniel Green.

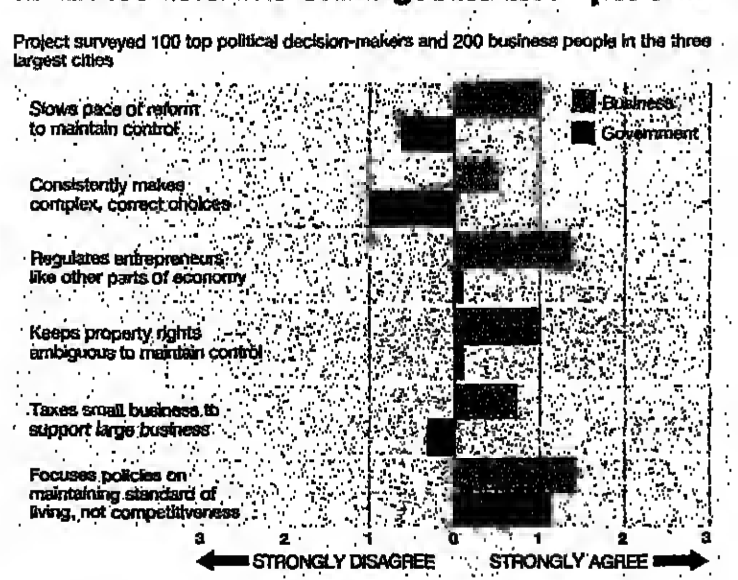
MANAGEMENT

Tatars turn

The former Soviet republic is receiving western advice on improving competitiveness, explains **John Thornhill**

Divergence of views: attitudes towards Tatar government policies


President Mintimer Shaimiev



It might seem ironic that a group of American management consultants is advising a former Soviet republic about the virtues of central economic planning.

But for the past year the Monitor group has been doing just that, helping the government of Tatarstan to develop the market economy and devise a long-term plan to improve the competitiveness of local industries.

Managemeot consultants are used to re-engineering corporations hut in this case – to paraphrase Stalin – they were more in the business of "re-engineering human souls". Monitor's chief conclusion was that the most critical challenge facing Tatarstan was more political than economic.

A mutually-beneficial consensus must be forged between government officials, whose Soviet-era instincts are to regulate everything that moves, and the new emerging class of private entrepreneurs, who suspect the state of heing a dead, rather than a helping, hand.

The uld system of central economic planning – masterminded by Moscow ministries – has collapsed, resulting in massive declines in industrial output. The new forms of capitalism which have since emerged are proving unpredictable and often uncontrollable.

Moscow's liberal ideologues, who shaped Russia's economic agenda in 1992, were hostile to the idea of developing a new industrial policy even to support strategic enterprises and regulate the nascent markets. They feared it would allow bureaucrats to "re-politicise" the economy through the back door and stifle entrepreneurial spirits.

But Mintimer Shaimiev, Tatarstan's president who has won a large degree of economic autonomy from Moscow enshrined in a power-sharing agreement signed two years ago, opposed the "shock therapy" school of reform.

He sought to soften the policy using local tax revenues to maintain support for state industry and subsidise food and utility prices. That has helped preserve social cohesion absent in much of Russia.

"We had a huge number of people working in large monopolistic enterprises in Tatarstan. You cannot turn them all into individual entrepreneurs and adapt to market conditions overnight. It takes time," he says, in an interview.

While being chided for his reactionary "communist" practices by Moscow, Shaimiev hired Monitor to advise his government how it could best shape the gradual development of the republic's market economy.

The Cambridge, Massachusetts-based Monitor, which has drawn heavily on the competitiveness theories developed by Michael Porter of the Harvard Business School, set about the task with relish.

"In most cases we are normally tweaking the existing market economy but in this case we were helping create a new system from the ground up," says Mark Fuller, Monitor's chairman.

It was immediately obvious that Tatarstan boasts more natural advantages than most Russian regions. Tatarstan is one of the richest oil-producing areas in the former Soviet Union. Its annual output of more than 25m tonnes is expected to last for another 30 years.

The republic was also a centre of high-technology arms production, turning out the Blackjack and Backfire bombers, and home to the giant Kamaz truck plant. That spawned many manufacturing plants as well as a large number of technical institutes producing graduates with exceptional skills.

But Monitor perceived that Tatarstan was in danger of becoming an "advanced backward economy" which, despite its educated workforce and technological base, was dependent on crude oil to provide 90 per cent of its international exports.

The region's abundance of natural resources could be as much of a curse as a cure for the economy. Reliance on oil conld crowd out investments in other sectors as many Middle Eastern countries have discovered to their cost.

Monitor argued the region's standard of living would only rise if it could increase the export of sophisticated goods. To this end, it is fleshing out proposals with the Tatar government to develop "clusters" of industries, adding more value to oil prodncts within the republic and building on its automotive industry infrastructure.

Such advice would be familiar to students of Porter's thinking. But, perhaps more significantly in Tatarstan's case, was that the project stimulated fresh thinking among the 100 top decision-makers in the republic about how they could unleash their people's creative powers.

Alexander Tarkayev, chairman of the local Chamber of Commerce and Industry who worked closely on the project, says: "Monitor has been very important in changing our ideas about competition. A year ago I thought Tatarstan's competitors were France and Germany.

"I now realise that our real competitors are neighbouring regions such as Yekaterinburg and Nizhny Novgorod."

Monitor argued Tatarstan must aim to distinguish itself from neighbouring regions to attract increased international and domestic investment hy developing a supportive business environment.

The government is already committed to investing $50m (£34m) in a state-of-the-art wireless telecommunication network and is supporting a reconstruction of Kazan Airport to encourage more internatinnal flights.

The Tatar government is actively courting foreign investors hy introducing tax holidays and is opening trade offices in several foreign cities including Paris, Washington DC, and Adelaide and promoting the region's attractions on CD-Rom presentations.

It is also aiming to stimulate capitalistic change from the bottom up rather than imposing it from the top down. To this end, it has lit a bonfire of bureaucratic regulations to ease the formation of small businesses and is even encouraging students to work on projects to improve competitiveness.

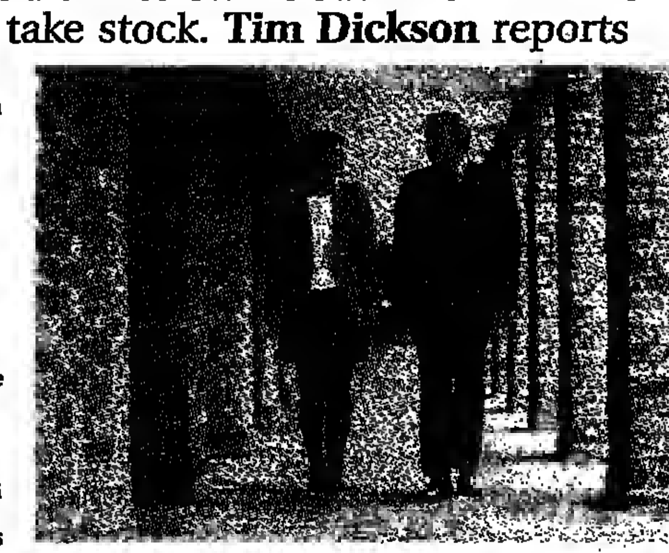
But Soviet-era instincts run deep in the local population. The Monitor project met resistance from some Tatar leaders who cavilled at its $1m cost at a time when government ministers earn $200 a month.

Monitor's consultants say they learned much from the project. The most significant insight was that economic reform can only succeed if ordinary people participate on a mass scale.

"The Tatarstan government wants to make as many people as successful as possible so that there is support behind the reforms," says Bruce Allyn, a Monitor consultant. "The most important thing is to change things so that they have legitimacy."

Planning a move in the right direction

Business people need to stand back from their busy careers and take stock. **Tim Dickson** reports


Tony Andrews

Farwagi and Bain: she helped him rethink his own plans 'for the next 20 years'

When Peta Lyn Farwagi approached George Bain six months ago with a plan to develop his personal "life strategy", the London Business School principal admits be was more than a touch sceptical.

"I'm not a touchy feely sort of person who sits around philosophising about life," he says. "If Peta hadn't been on the Sloan fellowship programme at the school a few years back I'd probably have written her a polite letter saying 'Nn thank yon'."

Half a dozen counselling sessions later, however, Bain is both happy to plug his alumna's unusual new consulting work and to talk publicly about how it helped bim re-think his own plans "for the next 20 years".

Just turned 57 and due to step down from one of the bottest seats in management education at 60, Bain has, for example, started to talk about "restructuring" his joh over the next three years so that he can concentrate his energies less on shaping the school's international strategy (a task which he believes is largely achieved) and more on raising *funds for LBS' future growth.*

After "retirement" he is nnw convinced that what he wants is not so mnch annther "big" job of the kind someone in his position could expect, as the opportunity to return to his academic roots, indulge his hobby of history and involve himself in a number of three- to five-year projects. One of these might be a book based on the observations he has been gathering throughout his life.

As to where he might base himself for at least part of what Charles Handy calls the "third age", his reflections with Farwagi will disappoint Vancouver estate agents but bring a flutter of anticipation to the hearts of those who sell island pied à terres an hour's drive from Winnipeg.

"I've always assumed that in time I'd spend a quarter of the year in Canada, which is why I say I'm 25 per cent Canadian," explains Bain. "The more we chatted about this aspect, thongh, the more I realised a lot of the resources I'll need, a lot of the best networks for me are not on the western seaboard which I got to know in Navy days and where I thought I'd end up, but in the Prairies. I suppose the process was a hit like someone in the UK realising that, idyllic as it sounds, retiring to Cornwall also has its drawbacks."

Farwagi's conviction is that growing numbers of business people – not just senior and successful figures such as Bain nearing the end of their careers – need to step back from busy jobs in this way, consider what they want ont of life, and decide whether they are heading in the right direction. "Change points", as she calls them, can come in early, mid and late career.

Ironically, tha business school environment does offer just such an opportunity for "students" if not for deans – participants on open executive programmes frequently comment on the advantages nf reflecting away from tha daily office pressures and rontines – but according to Farwagi, companies need to take *life balance issues and individual* strategies more seriously. Better managerial performance, reduced stress levels and a stronger alliance hetween employer and employees will be the result.

Born in California, she has had the *sort of career which has, as* she puts it, has given her "a big picture". A competitive ice skater in her teens – an art she still draws on in presentations – she has worked as travel editor and arts editor of Vogue (interviewing everyone from Mel Gibson to New Guinea tribesmen), run her own *publishing company, written two books and trained for a year as an* experiential psychologist. She has worked in 65 countries.

Her interest in human behaviour and motivation was fed hy the Sloan programme experience when she noticed that a lot of her peers "didn't quite know where they were going".

People are often "trying to balance disparate rhythms", she adds. "When the input gets too much for us to digest we run out of energy, forget how to laugh and lose a sense of being connected to those around us."

Farwagi's other clients include the business woman Prue Leith, whose non-executive board priorities she helped reorganise.

Bain praises Farwagi as facilitator not only for forcing him and his wife to take time out explicitly to consider the issues – and to think of them between sessions. He also believes it was valuable to engage in a dialogue with someone "who is disinterested, who has no axe to grind, who won't be judgmental".

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IN BRIEF

Adidas doubles to DM245m for year

Adidas, the German sports goods maker, reported annual results at the top end of expectations. It said net income had more than doubled to DM245m ($166m) in 1995, from DM117m in the previous year. Sales rose 9.5 per cent to DM3.5bn. The results coincided with announcement of the resignation "by mutual agreement" of Mr Pierre Galbois, the finance director. Page 18

Chargeurs to sell Walon unit
Chargeurs, the French media and textiles group which announced its intention at the end of last month to split into two quoted groups, said it intended to sell its Walon subsidiary, which provides overland transportation and distribution of cars from manufacturing plants or ports to dealers. Page 18

Avesta Sheffield gives best showing yet
Avesta Sheffield, the Anglo-Swedish specialist steelmaker, reported its strongest full-year profit performance since it was formed in 1992 by the merger of Sweden's Avesta with the stainless steel operations of British Steel. Pre-tax profits in 1995 jumped almost threefold from SKr1.56bn in 1994 to SKr4.3bn ($636m). Page 18; Krupp Hoesch reports signs of improvement in prices, Page 18

Hoogovens follows rise with warning
Hoogovens, the Dutch steel and aluminium producer, reported a 43 per cent rise in 1995 net profits to Fl 507m ($307m), against Fl 354m a year earlier, but warned of a probable slowdown for the first half of 1996. Page 19

Asturiana de Zinc shares take a dive
The stock market career of Asturiana de Zinc, the Spanish miner and metal refiner, have always been volatile. It proved so again this week after the company revealed it might have to provide Pta11.55bn ($96m) for losses on a large position in zinc futures. Its market capitalisation plunged Pta13.5bn, or 27 per cent, in just two days. Page 19

Hongkong Electric rises despite slowdown
Hongkong Electric Holdings, which owns the monopoly supplier of electricity to Hong Kong island, reported an 8.8 per cent rise in net profit to HK$4.19bn (US$542m) for 1995, in spite of decelerating sales growth. Page 22

Trizec plans overseas expansion
Trizec, one of North America's biggest property developers, plans to expand overseas, combining its own expertise with contacts built up by other companies controlled by Mr Peter Munk, the Canadian entrepreneur. Page 23

Rowland vows to make a comeback
Mr Tiny Rowland, the 78-year-old former chief executive of Lonrho, vowed to "start out all over again" after raising £92m ($140m) from the sale of most of his shares in the international conglomerate. "Don't think I'm going to retire. I've now got £450m in cash; I don't owe anyone a penny and I am going back into business," he said. Page 26

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Adidas	95.5	+	5.1
Falls			
Asko Prf	700	–	30
Bil & Berger	566	–	24
Deutsche Babck	86	–	5.3
Holzmann	540	–	24
Linotype	117.5	–	14.5
NEW YORK ($)			
Rises			
Acme Cleveland	30¾	+	10¾
Manor Care	42⅝	+	9⅝
Oakley	35½	+	2⅝
Tom Hilfiger	45	+	3⅛
Zeneca	63	+	4⅝
Falls			
Best Buy	17⅝	–	1⅛
LONDON (Pence)			
Rises			
Automated Sec	37	+	9
Hewetson	45	+	8
Nth Midland Cns	58	+	12
Renishaw	453	+	37
Sth West Wtr	608	+	70
Falls			
Unidare	250	–	50
TORONTO (C$)			
Rises			
Clearnet Comm	21	+	2
Scintrex	12	+	1¾
Softquad Intl	9	+	⅝
Falls			
Arequipa	11⅛	–	1
IKWG Res	15⅝	–	1¼
Third Cad	14⅛	–	1⅛
PARIS (FFr)			
Rises			
Canal Plus	1065	+	151
Damart	4395	+	135
Havas	406	+	28.7
Synthelabo	374	+	21.4
Falls			
Interbail	280	–	12.1
Technip	417	–	15
TOKYO (Yen)			
Rises			
Takaoka Elec	840	+	82
Falls			
Kikkoman	782	–	38
Makita	1530	–	70
Nippon Fire	635	–	29
Oki Elec	871	–	37
Tokyo Electron	3720	–	180
HONG KONG (HK$)			
Rises			
Dongfang Elec	2.525	+	0.125
Island Dyeing	8.35	+	0.35
Melco Intl	3.225	+	0.25
Yiu Wing Intl	1.4	+	0.13
Falls			
Hesco	20.65	–	0.85
Union Bank	8.8	–	0.65
BANGKOK (Baht)			
Rises			
Sub Sri Thai	56.5	+	5
Falls			
Jasmine Int	107	–	11
Seafresh Inds	72.5	–	13
Thai Insurance	69.5	–	7.5
Thai Telephone	95.5	–	10.5
Thai Vegetable	41	–	4.25

New York and Toronto prices at 12.30.

Murdoch apologises for deal confusion

By Alice Rawsthorn in London, Judy Dempsey in Berlin, Andrew Jack in Paris, Neil Buckley and Raymond Snoddy in Brussels

Mr Rupert Murdoch telephoned senior executives of Bertelsmann, the German media group, and Canal Plus, the French pay-TV company, to apologise for the confusion over an announcement by BSkyB, his UK satellite company, that it had clinched an agreement to invest in a German pay-TV channel.

BSkyB issued a statement on Wednesday saying that it was acquiring a 25 per cent stake in Première, the loss-making German channel, for $270m by buying half the shares from Bertelsmann and half from Canal Plus, both of which own 37.5 per cent stakes.

At the request of Bertelsmann and Canal Plus, BSkyB later released another statement acknowledging that the deal required the agreement of all Première's shareholders, including Kirch, the German media group that owns the remaining 25 per cent.

Mr Murdoch made telephone calls on Wednesday night to Mr Pierre Lescure, chairman of Canal Plus, and Mr Michael Dornemann, a director of Bertelsmann.

During those calls he apologised for any confusion arising from the announcement.

Bertelsmann and Canal Plus confirmed yesterday that they were still willing to conclude the Première deal with BSkyB. Kirch said that it had not yet been consulted about the proposed deal and declined to comment on whether it would give its approval.

If Kirch refuses to consent, one option might be for BSkyB to hold the 25 per cent stake in Première indirectly, by investing in a holding company that owns the Canal Plus and Bertelsmann stakes. However, such a deal would leave it without representation on the Première board.

Both Bertelsmann and Canal Plus confirmed that they were pressing ahead with a venture with BSkyB to develop digital pay-TV services in Europe.

They will each own 30 per cent of that venture while Havas, the French media group that owns 23.5 per cent of Canal Plus, will take the remaining 10 per cent.

Mr Karel Van Miert, the European competition commissioner, yesterday warned that the venture, which is expected to start by launching a German service, would come under scrutiny from Brussels.

The announcement of BSkyB's inclusion has enraged CLT, the Luxembourg broadcasting group which had held its own talks with BSkyB about a pay-TV alliance. It had also previously considered investing in Premiere, but decided against it.

CLT yesterday publicly criticised Havas, one of its shareholders, for jeopardising its proposed alliance with BSkyB. Mr Michel Delloye, a CLT director, accused Havas of "betrayal" in Le Monde, the French newspaper.

The controversy deepened when Groupe Bruxelles Lambert (GBL), the Belgian holding company that owns stakes in both Havas and CLT, announced that it was considering selling its 4 per cent stake in Havas.

Lex, Page 16

DMG launches country funds

By Maggie Urry in New York

Deutsche Morgan Grenfell, the investment banking division of Deutsche Bank, is launching a range of country-specific index funds which will trade on the New York Stock Exchange in the same way that individual stocks trade. The product, dubbed CountryBaskets, is intended to give investors a more efficient method of taking an exposure to one country's stock market.

They are likely to be emulated by others and Morgan Stanley plans to launch World Equity Benchmark Shares (Webs), which will trade on the American Stock Exchange. The CountryBaskets funds will be based on the Financial Times/Standard & Poor's country indices.

Initially, the DMG index funds will cover nine countries, with launches timed for the week beginning March 25. The bank expects to raise $300m-$700m but sees opportunities for growth. Further funds are planned and DMG aims to have the shares traded in European and Asian time zones.

The funds will be open-ended, with shares issued or redeemed on a daily basis, while the net asset value of the funds will be calculated every 30 seconds.

The daily redemption or issuing feature will allow arbitrageurs to take advantage of any mis-pricing between the nav and the share price so any discrepancy between the two should be eliminated rapidly.

The funds will hold the underlying shares of the indices and will not use derivatives or leverage. This enables some institutional investors which are not permitted to use derivatives to gain an exposure to world markets. Investors will be able to sell the shares short, so that they can be used for hedging as well as investing.

Mr Joseph La Corte, chief executive of the index fund product, said he expected the shares to appeal to a broad range of investors, from individuals to all but the largest institutional investors. The management costs of the funds will average 84 basis points of each fund's value per year, less any income the fund earns from lending the underlying stocks.

The nine stock markets to be covered are: Australia, France, Germany, Hong Kong, Italy, Japan, South Africa, the UK and US. These markets constitute 85 per cent of the world's market capitalisation.

Sweeping changes expected at Arjo Wiggins

By Patrick Harverson in London

Sweeping changes are expected by senior managers at Arjo Wiggins Appleton, the Anglo-French paper company, when a strategic review is completed this summer.

According to one top Arjo executive, it is more wide-ranging than expected and is likely to involve the sale of some of the company's main businesses. Acquisitions are possible.

Arjo's European carbonless paper business is regarded by analysts as the most likely candidate for an outright sale or a merger with another company.

The review is being conducted by Mr Daniel Melin, Arjo's new vice-chairman, who is also chairman and chief executive of Saint-Louis, the French paper and food group which owns 40 per cent of Arjo. The difficulty facing Mr Melin was illustrated yesterday when Arjo reported a 67 per cent drop in annual pre-tax profits to £72m ($109m). This was primarily because of falling demand and the cost of a £120m restructuring of underperforming European operations.

An executive working with Mr Melin said: "Shareholders were pretty unhappy with what was going on and Mr Melin is spending a lot of time fundamentally reassessing group strategy. There may be some quite radical changes." He said following the review, strategy would be more oriented towards shareholder value. "Some things may be sold and some things may be bought. Whatever happens, the cards will go up in the air and come down differently from where they are now."

Mr Melin was appointed vice-chairman and head of a new executive committee in December after a profits warning had undermined shareholder confidence and revived doubts about Argo's management. The shares deteriorated so sharply and its market capitalisation fell so far last year that the stock was removed from the FT-SE 100 Index in December.

The review aims to restore the group's profits growth and revive the flagging share price. Mr Melin is under pressure from his own shareholders at Saint-Louis because a 30 per cent fall in Arjo shares since last summer has wiped more than £250m off the value of the French group's stake.

Lukoil looks to western groups for potential collaborators

Russian group breaks free of state straitjacket

Lukoil, Russia's largest privatised oil concern, has achieved much since its creation five years ago. But it acknowledges it has hardly begun to realise its ambitions of becoming one of the world's most dynamic international energy companies.

Under the direction of Mr Vagit Alekperov, its energetic president, Lukoil has grabbed many of Russia's prime oil-producing assets and muscled its way into a 10 per cent share of an international consortium to exploit the vast oil resources under the Caspian Sea.

It has also raised its profile among international investors by selling 6 per cent of its equity to Atlantic Richfield, of the US, by means of a convertible bond for $350m (£164m) and issuing proxy share American Depositary Receipts (ADRs) in New York.

Lukoil has led the pack of big Russian companies trying to wrench free from the quagmire of the planned economy to create western-style, market-driven enterprises. These are beginning to place shareholder profits above production figures.

In so doing, Lukoil has emerged as the most valuable company on Russia's ramshackle equity market, with a notional value of more than $3bn, and is styling itself as the first corporation of the modern era. Its red and silver corporate logo is mushrooming on billboards and garages across the country and is even plastered on the plant pots in the company's lavish headquarters opposite the Sandunovskie baths in central Moscow.

But, in an interview, Mr Alekperov is reluctant to dwell on this burst of past activity. The quietly-spoken oilman has his gaze fixed on the future. After securing its assets, Lukoil is now looking to diversify into north Africa, Iraq, and other countries in the Commonwealth of Independent States, and expand into cash-generative downstream activities, such as petrol retailing.

Some of the rhetorical bravado of Lukoil's early years appears to have evaporated and there is a more sober realisation of what is left to accomplish. Mr Alekperov says Russian oil output is likely to bottom out this year at about 300m tonnes but will rebound only slowly thereafter given the industry's ageing infrastructure, unhelpful fiscal and business climate, and lack of capital resources.

The most striking change is that Lukoil seems keen to work more closely with western companies, such as Amoco, BP, Atlantic Richfield, and Chevron, not just in CIS countries, such as Azerbaijan and Kazakhstan, but also within Russia.

"Today, on all our important projects, we are co-operating with the most powerful American and European companies," he says. "It is essential to include partners who can contribute their own traditions and practices. Some of them have good technical skills, some geological, others financial."

This co-operative spirit marks a seismic shift in the outlook of, at least, some of Russia's oilmen, who have been among the more nationalistic business leaders. But it perhaps reflects a growing realisation that Russian oil companies will not be able to generate sufficient cash flow or raise enough capital to make large investments by themselves in the immediate future.

The Russian parliament recently passed an amended version of a production-sharing agreement which, despite some imperfections, will give foreign investors greater confidence about the legal environment. It may lead to the realisation of some multi-billion dollar investments in the northern Timan-Pechora basin, western Siberia, and Sakhalin island in the east.

Mr Alex Knaster, the head of the Moscow office of CS First Boston, the international investment bank which acts as financial adviser to Lukoil, says it makes sense for Russian companies to parlay domestic political influence for economic advantage. "One of Lukoil's great strengths is its ability to get things done in Russia and that ability is worth money," he says.

Lukoil is aiming to increase its own firepower by selling 15-20 per cent of its equity this year. Mr Alekperov believes Lukoil can expect to raise $4bn from the sale, which will be targeted at investors in the US, Europe and Russia – although this implies a substantial, and unexplained, rise in Lukoil's share price.

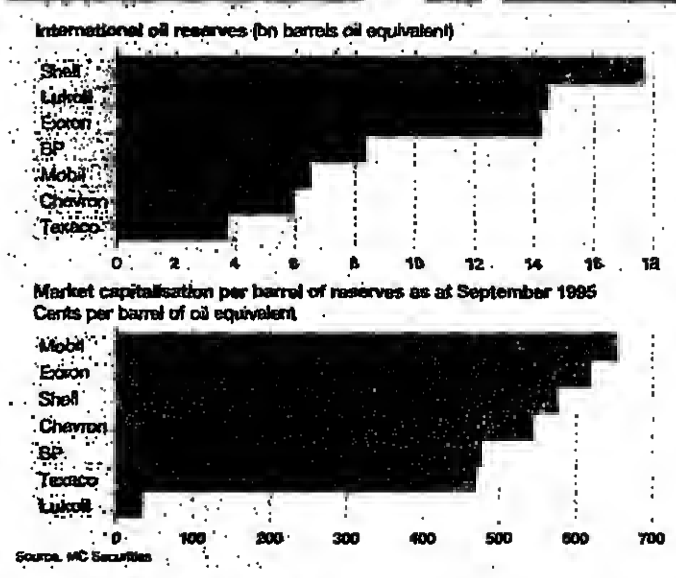
Mr Alekperov is concerned that the uncertain political climate in Russia, before the presidential elections in June, may paralyse business activity. He suggests few western oil companies will make large commitments to Russia before the elections. They may wait even longer if Mr Gennady Zyuganov, the Communist party leader who has talked about renationalising some strategic oil companies, wins.

Mr Alekperov says Russia's market reforms have gone too far to be reversible but has no firm idea about what the communists would do if elected.

"I do not think the communists threaten us but they do threaten to change the rules of the game which will influence all economic activity," he says. "Only after three months would we discover whether Zyuganov is a reformer or a retrograde."

John Thornhill

Searching for bigger fields



Source: MC Securities

Restructuring provision pushes Aérospatiale into red for year

By David Buchan in Paris

Aérospatiale, the French state-owned aerospace and defence group, yesterday reported improved operating profits in 1995, but said a FFr1.5bn ($296m) provision for restructuring costs pushed it FFr981m into the red, double the 1994 loss of FFr483m.

Pretax operating profits rose from FFr26m in 1994 to FFr533m last year on turnover up FFr48.56bn at FFr49.23bn. Aircraft and space sales led the increase, while helicopter and missile sales fell.

Mr Louis Gallois, president, claimed an underlying profits improvement of about FFr1bn because the FFr500m rise in operating profit had been achieved despite a fall in the US dollar that had cost the company FFr576m.

However, in an interview yesterday with Le Figaro newspaper, Mr Gallois conceded the group was still drawing in insufficient new orders – despite this week's announcement of new Airbus orders from the US – and that it remained undercapitalised. He implied that the heavy cost of restructuring, involving a 15 per cent cut in the workforce between 1995 and 1997, would keep the group in loss this year.

He forecast it would break even in 1997 and make a profit in 1998.

At the government's instigation, Aérospatiale is to examine ways of merging its activities with the Dassault aircraft company in which the French state has a 46 per cent stake. Mr Gallois said there was "strong logic" to this at a time of falling French defence orders.

"The rapprochement with Dassault will, one way or another, lead to an opening up of the capital" of Aérospatiale, which is 100 per cent state-owned, Mr Gallois said. Despite reducing its net debt by FFr1.1bn to FFr6.5bn at the end of last year, Aérospatiale has been asking the government to boost its capital by FFr10bn. Dassault, which has yet to report its 1995 results, is said to have cash of about that amount, though much of it is advances on Mirage jet orders from Taiwan.

Under the government-brokered plan, Aérospatiale and Dassault are to set up a "pilot committee" to report by the end of June on ways of forming a joint company within two years. Mr Gallois said the timetable was "tight but tenable".

Mr Gallois stressed that Aérospatiale would pursue its plans to form joint ventures this year with Daimler-Benz Aerospace (Dasa) in satellites and missiles, and that only later might he respond to the interest of the private French Lagardère group in these areas of Aérospatiale's activities.

Aérospatiale's aircraft sales increased last year by 5.7 per cent to FFr24.65bn, accounting for half of group turnover.

EUROPEAN NEWS DIGEST

Casino ahead and plans overseas push

Casino, the French retail group, yesterday announced ambitious international expansion plans while reporting net income up 29 per cent at FFr633m ($125m). Mr Antoine Guichard, chairman, wants to expand in Europe, Asia and the Americas. He emphasised the cash-and-carry market in the US, and further developments in Taiwan and Poland. The remarks come as French retailers are under increasing government attack. Casino's turnover rose 2.6 per cent to FFr64.1bn, or 3.6 per cent excluding currency effects, and operating profits were up 7.7 per cent at FFr1.5bn.
Andrew Jack, Paris

Ahold targets Asia

Ahold, the Dutch food retailer with six supermarket chains in the US and growing businesses in southern and eastern Europe, said it planned to generate 10 per cent of annual sales in the Asia-Pacific region within 10 years. The company announced it had signed a joint venture agreement with the Kuok Group, an Asian multinational involved in shipping, finance and leisure businesses, to develop a chain of supermarkets in Malaysia and Singapore. The group posted an 11.5 per cent rise in group net profits to Fl 456.6m ($276.5m). The results were aided by a strong fourth quarter, when net profits rose 16.4 per cent.
Ronald van de Krol, Zaandam

Copenhagen Airport profits up

Copenhagen Airport increased pre-tax earnings by 36 per cent, from DKr277m to DKr376m ($66m) last year, while turnover increased 17 per cent from DKr1.02bn to DKr1.20bn. The board of the state-controlled, part-privatised airport company proposed an increase in the dividend from DKr6 to DKr7 per share. The state holds 75 per cent of the shares in the airport but the government has indicated it will reduce its holding this spring by a further privatisation issue. Turnover from traffic operations increased 6 per cent to DKr662m. Turnover from tax-free sales and other business increased from DKr114m to DKr116m.
Hilary Barnes, Copenhagen

Capital gains boost Codan

Codan, the Danish insurance group controlled by the UK's Sun Alliance, reported an increase in group net profits from DKr2m to DKr561m ($98.4m) last year, while pre-tax profits increased from DKr5m to DKr741m. The results were strongly influenced by capital gains on the securities portfolios of the Danish accident and life assurance operations. Premium income slipped for the second year, from DKr3.76bn to DKr3.59bn.
Hilary Barnes

Scor doubles and sees recovery

Scor, the French reinsurance group, yesterday indicated signs of recovery in the sector and reported net income of FFr522m ($104m) for 1995, up from FFr232m in the previous year. Mr Jacques Blondeau, chairman, said reassurance in most markets was showing positive growth. Turnover rose 6.6 per cent – at constant exchange rates – to FFr11.85bn.
Andrew Jack

■ Fokker, the ailing Dutch aircraft maker, said a decision about its future would be taken next week. *Ronald van de Krol*

Correction

The table of pharmaceuticals company market shares that appeared in yesterday's Financial Times was supplied by IMS International.

Chargeurs to sell Walon car distribution business

By Andrew Jack in Paris

Chargeurs, the French media and textiles group which last month announced its intention to split into two quoted groups, yesterday said it intended to sell its Walon car distribution business.

It said the decision reflected the logic of its move to focus on its core areas of operation, each of which would be held through a separate company.

Walon, which claims to be the European market leader, provides overland transportation and distribution of cars from manufacturing plants or ports to dealers. In the 1995 results, published yesterday, Walon reported a net loss of FFr90m ($17.8m), against a deficit of FFr78m in 1994.

Under the deal announced last month, Chargeurs International will hold the textile interests. Mr Jérôme Seydoux, the current chairman, will take charge of Pathé, which will hold its media interests including a 17 per cent stake in BSkyB, the satellite TV group.

The move by Chargeurs was heralded as the first significant move towards demerger by a French group, after similar initiatives in the Anglo-Saxon world, including AT&T, ICI and Hanson.

A number of other French companies have considered the idea, but have been held back by tax considerations. However, Chargeurs managed to seek pioneering approval by the authorities before its decision.

The deal is subject to shareholder approval in June, and will be preceded in April by a detailed document on the financial aspects of the two groups, as required by French stock market regulations.

Chargeurs yesterday also provided fuller details of its 1995 financial results, including a net loss for the group of FFr574m, compared with a profit in 1994 of FFr344m, on turnover up from FFr8.1bn to FFr9.9bn. The dividend is unchanged at FFr14 a share.

The losses came after a FFr140m charge against its investments in Libération, the daily left-wing French newspaper, in which it is becoming majority shareholder in an attempt to prevent closure.

There were also exceptional charges of FFr334m against its purchase of Pathé Cinema, and FFr62m in provisions to restructure its textile arm.

Its communication division reported losses up from FFr3m to FFr492m for 1995, despite turnover of FFr1.1bn against FFr651m. Textiles lost FFr22m, compared with a profit of FFr258m, on sales up from FFr7.1bn to FFr8.3bn.

Jérôme Seydoux: will take charge of Pathé, the media arm

Adidas doubles to DM245m for year

By Wolfgang Münchau in Frankfurt

Adidas, the German sports goods maker, reported annual results at the top end of expectations. It said net income had more than doubled to DM245m ($166m) in 1995, from DM117m in the previous year. Sales rose 9.5 per cent to DM5.6bn.

The results coincided with announcement of the resignation "by mutual agreement" of Mr Pierre Gaibois, the finance director.

The resignation of Mr Galbois, who has been credited with reforming the company's outmoded accountancy procedures, will take effect at the end of April. His successor will be Mr Dean Hawkins, a senior executive at Union Bank of Switzerland.

Sogedim, the investment group led by Mr Robert Louis-Dreyfus, chairman of Adidas, has reduced its stake from more than 95 per cent before last year's flotation to about 25 per cent. The remaining shares are spread among national and international investors. Mr Louis-Dreyfus confirmed yesterday that he would "stay until the [soccer] world cup of 1998 in Paris".

In Europe, sales rose 11.2 per cent to DM2.3bn, with strong gains in Germany, France and the UK. North American sales were static because of the strong D-Mark. Expressed in US dollars, they rose 13.7 per cent. The dividend goes up 18.5 per cent to 25 pfennigs a share.

Avesta Sheffield surge is below expectations

By Hugh Carnegy in Stockholm

Avesta Sheffield, the Anglo-Swedish specialist steelmaker, yesterday reported its strongest full-year profit performance since it was formed in 1992 – despite a sharp drop in prices in the fourth quarter of last year.

Pre-tax profits for 1995 jumped almost three-fold, from SKr1.56bn in 1994 to SKr4.3bn ($630m), comfortably the best return achieved since the group was created by the merger of Sweden's Avesta with the stainless steel operations of British Steel. Group sales rose from SKr16.8bn to SKr22.5bn.

But the steady rise in profits the group enjoyed from early 1994 until the middle of last year was reversed in the latter half of 1995. It emerged that much of the strong demand experienced earlier in the year for the cold rolled flat stainless steel products had gone to build up inventories. This was followed by falling demand for new supplies.

Fourth-quarter profits of SKr852m were ahead of the SKr707m reached in the same period of 1994, but were down from the SKr1.1bn of the third quarter. The fall left the full-year figure slightly below market expectations, although the share price ended unchanged yesterday in Stockholm at SKr64.50.

Avesta Sheffield, in which British Steel holds a 51 per cent stake, said a 19 per cent rise in cold rolled deliveries in the first nine months in Europe was "followed in the fourth quarter by a sharp stock draw which is continuing at the start of 1996".

"As a consequence, order books which were strong in the summer are now very short. The market price for standard cold rolled products fell 7.5 per cent in the final quarter of 1995 and has since fallen a further 25 per cent. The trend was not reversed by production pauses." Profits would suffer as long as inventories were being drawn down. It was not clear how long this would last.

But it stressed that it believed underlying demand for stainless steel was growing. Although the European pattern of inventory build-up had been followed in Asia, stock adjustments in the US had been much less severe and appeared close to balance.

In other product areas, Avesta said there had also been a weakening in orders and prices near the end of last year for hot rolled coil, long products and tubes. But demand for quarto plate and special stainless steel grades was firm.

Krupp Hoesch reports signs of stainless steel price rise

By Michael Lindemann in Bonn

Krupp Hoesch, the world's leading producer of stainless steel, yesterday said stainless steel prices showed the "first tentative signs of an upward trend" in February, but analysts warned there was no indication that the rises would spill over into the broader steel market, regarded as a barometer of economic health.

News of improved prices at Krupp Hoesch emerged on the same day as Avesta Sheffield, the Anglo-Swedish stainless steel producer, said it also saw a turnaround in prices and four US producers said they would raise prices by 5 per cent in May.

However, analysts remained wary about the possible implications of a rise in stainless steel prices, pointing out that the increases may mark a welcome respite for producers, which have seen basis prices for stainless steel collapse from about DM3,700 ($2,508) a tonne early last year to as low as DM2,800 last month.

"I think the market is turning, but it's turning from a low base," said Mr Alan Coats, a steel analyst at Merrill Lynch in London. "At DM2,800 everybody is losing money."

Steel prices are being watched carefully for any sign of upward movements which may hint at a pick-up in European economies generally, after growth came to a sudden standstill in the fourth quarter of last year.

Germany's biggest steel producers, which include Thyssen and Preussag, as well as Krupp Hoesch, put part of their workforces on short-time working in November and have not yet indicated any return to normal hours.

While the market for lower grade steels is generally driven by the automotive and construction sectors, stainless steel prices are also affected by other smaller markets such as hospital and kitchen equipment.

Krupp Hoesch has about 16 per cent of the world stainless steel market, ahead of Usinor Sacilor, the recently privatised French steel producer.

However, analysts said these larger producers still faced pressure in Europe from smaller steelmakers, such as the Spanish Acerinox group and the Finnish steelmaker Outokumpu, operating with more modern and efficient plants.

● Hopes for an early pick-up in the German economy suffered a further setback when the ZVEI umbrella group representing Germany's electronics industry said it expected production this year to be only about 1.5 per cent higher than last year. The industry said it expected to lose about another 30,000 jobs this year.

INTERNATIONAL COMPANIES AND FINANCE

Hoogovens ahead 43% but warns of slowdown

By Ronald van de Krol in Ijmuiden

Hoogovens, the Dutch steel and aluminium prodncer, reported a strong increase in 1995 results, but warned of a probable slowdown in earnings growth in the first half of 1996 because of generally weaker economic conditions in Europe in particular.

Net profits eoared from Fl 354m to Fl 507m ($307m), an increase of 43 per cent, with the steel sector posting record results and aluminium swinging comfortably into the black from losses in 1994. The dividend is to be raised from Fl 2 to Fl 3 per share.

Turnover was up 2 per cent at Fl 8.1bn, but would have shown a 7 per cent increase had it not been for disposals. Profits were also held back by the guilder's strength. The company calculated that the net negative effect of currency movemants amounted to Fl 185m.

Hoogovens' figures were in line with analysts' predictions but its comments on early 1996 led to a drop in its share price in Amsterdam. The shares closed down Fl 2.10 at Fl 62.90.

Mr Maarten van Veen, management board chairman, said net profits before any extraordinary items would be "clearly lower" in the 1996 first half compared with the second half of 1995, which itself was weaker than the first six months of last year.

He attributed the slowdown since mid-1995 to weaker economies in Europe but also in the US. "So far we see few concrete signs of an upturn in the economy," he said.

Selling prices had weakened since the middle of last year, burting margins, but Mr van Veen noted that prices appeared to have stabilised. "Demand for the company's prodncts for the antomobile industry and aircraft construction, as well as for packaging, is holding up well," he said.

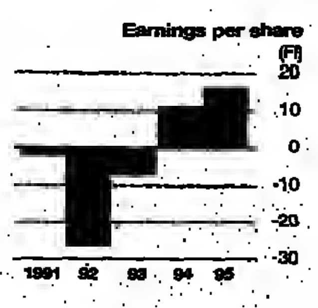
Mr van Veen also said that Hoogovens, after a period of cost-cutting, belt-tightening and raorganisation, waa preparing to step up investment and boost its presence in Asia.

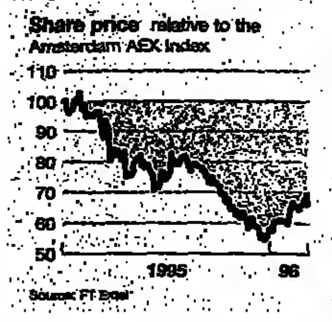
"This will not involve a sell-and-ship approach to these markets but will entail following our customers and developing new industrial activities in those countries, in most cases in collaboration with local partners," he said.

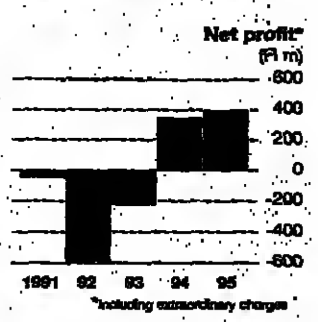
Operating profits in steel and steel-related sectora surged from Fl 456m to a record Fl 720m in 1995. Aluminium operating results swung from a loss of Fl 35m in 1994 to a profit of Fl 140m.

COMPANY PROFILE:
Hoogovens

Market capitalisation	Fl 2.1bn
Main listing	Amsterdam
Historic P/E	5.79
Gross yield	3.08%
Earnings per share (1995 estimate)	Fl 16.82
Current share price	Fl 65







Poland may have to drop bank consolidation plan

By Christopher Bobinski in Warsaw

The Polish government could be forced to abandon a controversial plan to hand treasury-owned stock in listed private banks to state-sector institutions as part of a bank consolidation programme, a sanior financial official has admitted.

The admission comes after a a parliamentary subcommittee working on enabling legislation for the programme decided this week to exclude all but banks which are 100 per cent treasury-owned from the scheme.

This has been greeted with relief by the Krakow-based Bank Przemyslow Handlowy (BPH), which was privatised a year ago. The state treasury retained a 46 per cent stake, which the government said last December would be handed to the state-owned Bank Handlowy as part of the consolidation plan.

The plan envisaged the formation of two strong banking groups, headed by the Bank Handlowy and the PKO SA. These two were to take over several smaller state sector banks and minority stakes in the Polish Development Bank (PBR) and the BPH.

The BPH's shareholders include ING of the Netherlands and the European Bank for Reconstruction and Development. Both made little secret that they were unhappy at the proposal.

This week's decision, which is expected to be approved by parliament as whole, immediately accelerated the upward movement of BPH's stock on the Warsaw Stock Exchange. It also means that the treasury-owned stake could be offered to an outside strategic investor. "We have had an offer," a senior finance official said yesterday, though he declined to disclose details.

The price of BPH stock yesterday reached 124.5 zlotys, rising by 9.7 per cent, or near to the bourse's 10 per cent daily limit for a second day running. The prica represented a 52-week high and came as trading in BPH stock accounted for almost 20 per cent of the stock market's turnover.

The BPH price began to edge upwards at the end of last week in anticipation of the parliamentary decision and has risen by 23 per cent since last Monday.

The npward movement, which yesterday left the PBH on a price/earnings ratio of 5.1, reflects a conviction among foreign analysts that the Krakow bank is in similar shape to its nearest rival, Bank Slaski. This is currently trading on a multiple of 7.4.

However, uncertainty about the BPH's future bad, until this week, held the bank's stock down in a market which has risen 54 per cent since the beginning of the year.

Media triptych catches critics unawares

Andrew Jack on this week's link-up between Bertelsmann, Murdoch and Canal Plus

Chain-smoking cigars and pacing up and down excitedly in front of the bank of television screens in his modernistic Paris office yesterday morning, Mr Pierre Lescure, chairman of Canal Plus, looked delighted after the announcement of his company's involvement in one of the most significant European media deals.

By this autumn, the consortium of Canal Plus, Bertelsmann of Germany, Mr Rupert Murdoch's BSkyB and another French group, Havas, plans to launch a subscriber satellite television service for Europe's largest potential market, Germany. It is almost certain to expand into other countries in the coming years.

The intense negotiations of the last few weeks were not easy. "It was not a club of poets, as we say in French," says Mr Lescure, instead describing the the three principal investors "a good triptych". He is proud of the fact that so few people were aware of the deal in advance, with the announcement apparently catching unawares sensitive, protectionist French politicians, and media group Compagnie Luxembourgeoise de Télédiffusion, a board member of which yesterday described the deal as "a clear betrayal".

The news was unexpected, in part because CLT and Mr Murdoch had only last month agreed a protocol to work together. That decision triggered an uproar in France. Rival broadcasters and media organisations, film producers and even Mr Philippe Douste-Blazy, the culture minister, attacked what they saw as the threat to the European market.

Mr Lescure himself took a more moderate line, refusing to indulge in criticism of Mr Murdoch in the press, and instead praising the US-based Australian entrepreneur for his intelligence and business savvy.

He says that last year Mr Murdoch had decided not to encroach on the French market, after realising that Canal Plus had the rights for football and other sporting events tied up until the year 2000, and offered, instead, to sell rights to the French broadcaster.

Mr Murdoch's interest – like that of rival broadcasters, including Mr Lescure – was apparently much more focused on Germany, which Mr Michel Thoulouze, managing director of Canal Plus, says will represent half of the European market by 2010.

Mr Murdoch, therefore, entered discussions with Bertelsmann on its home territory. Canal Plus was a logical partner, given that it had already developed a workable encryption technology which will be at the core of its own French satellite service to be launched at the end of next month.

In Germany, the same technology is to be used on the new satellite service, through MMBG, the digital decoder consortium in which Canal Plus holds an 8.8 per cent stake.

The urgency of developing an operation was driven home on Monday, when Mr Leo Kirch, the German media operator who holds a 25 per cent stake in the country's Première pay TV service, formally ruled out taking up his 9 per cent option in MMBG. He plans to use a rival encryption technique. Mr Thoulouze, in turn, does not rule out launching a rival service before the end of this year.

A deal with BSkyB was attractive for Canal Plus and Bertelsmann as a way of staving off a third satellite operation in Germany or elsewhere in Europe by Mr Murdoch in conjunction with CLT – an alliance which now seems to be in tatters.

This week's deal was also attractive for Mr Murdoch because of the prospects of buying a quarter stake in Première from Bertelsmann and Canal Plus, which currently hold 37.5 per cent each. It seems clear that this is still the intention in the medium term, although Mr Leo Kirch appears to want to block the arrangement.

Under the original deal thrashed out between the three partners in the last few weeks, each would have held a one-third stake in the joint venture. But Havas, the French media group, also wanted a piece of the action after being informed of the alliance last week. It has long-standing links with Bertelsmann, and is also a shareholder in Canal Plus. Its difficulty is that it also has an investment CLT, forcing it to choose between two rival alliances.

The final version of the agreement, which runs to just five pages, gives Havas what Mr Thoulouze describes as an "arbitrator's role", with a 10 per cent stake and its voting rights held by Canal Plus. The rest of the shares are equally divided between Bertelsmann, Canal Plus and Murdoch.

There is also no blocking veto – something partly reflecting the three partners' frustration with Mr Kirch's use of his abstention powers in Première in the past.

Mr Marc André Feffer, vice-president of Canal Plus, says the new satellite service is likely to offer at least 30 channels, to compete with the 28 currently available on German cable television. He estimates costs for the consortium – excluding the technology – over the next five years at DM500m ($339m); after that it should be profitable. By 2005, he predicts the service will have between 5m and 8m customers.

See Lex

Asturiana shares tumble

By William Cochrane

The stock market career of Asturiana de Zinc, the Spanish miner and metal refiner, has always been volatile. It proved so again this week after the company revealed it might have to provide Pta11.95bn ($96m) for losses on a large position in zinc futures.

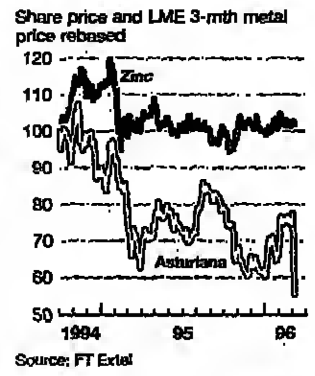
Asturiana's shares dropped on Monday by the maximum permitted under bourse rules, ending at Pta1,065, down Pta185, or 14.9 per cent. On Tuesday they lost another Pta154, or 14.6 per cent, to Pta901.

While the group may post a potential loss of Pta12bn, the company's equity market capitalisation had plunged by Pta13.5bn, or 27 per cent, to Pta36bn in just two days. The provision represented 42 per cent of end-1995 shareholders' equity.

This was only the latest trial for shareholders. They began to suffer soon after Corporacion Banesto, the Spanish industrial holding offshoot of the troubled Banco Español de Credito, sold 23 per cent of Asturiana, Europe's largest zinc producer, to a group of financial institutions for Pta10.6bn in mid-December 1994.

The shares had hit Pta1,700 just before that. Banesto said it was prepared to sell at Pta1,600 a share. It settled for Pta1,515 and kept 43 per cent of the equity, which slumped to Pta1,000 by the end of March last year after three-month zinc dropped by a fifth on the London Metal Exchange in January and February.

Asturiana de Zinc



Shareholders hoped the zinc price would recover. It did not.

Asturiana's share price stayed extremely volatile through 1995 as these hopes waxed and waned. Incredibly, the stock mounted a new, ill-fated offensive in January and February of this year after it was dropped from the Ibex list of the 35 top Spanish stocks on January 2.

Banesto held on to 43 per cent of the Asturiana equity. With outside shareholders, it might be relieved that the company – which chose Palm Springs, California, as a venue to announce its withdrawal from zinc options trading on February 26 – confirmed on Wednesday evening it had sold the offending zinc futures position to Glencore last December.

Ironically, there is hope for zinc. Overnight on Wednesday in New York, Pasminco, the world's biggest zinc producer, said that Asturiana's position might have been acting as a lid on price increases – explaining why the commodity price had not moved, in spite of a significant fall in LME stocks.

SANDOZ AND CIBA JOIN FORCES

■ EMPLOYMENT – By Frances Williams in Geneva

Basle braces itself for big job cuts

News of the merger betweeo the two Basle chemical giants came as a bolt from the blue for the city's people. Yesterday, they were doing their best to come to terms with the potential loss of thousands of jobs.

One in five of tbe 132,000-strong Basle workforce is employed in the chemicals and pharmaceuticals sector, which is dominated by Ciba, Sandoz and Rocbe. Unemployment in the city is close to the Swiss average at about 4.6 per cent.

The merger is expected to lead to the loss of about 13,000 jobs – or 10 per cent of the combined workforce – over the next three years, with Basle, site of botb headquarters, likely to be worst hit.

Mr Mathias Feldges, the city's economy chief, appealed to Ciha and Sandoz to act responsibly towards the workers "who had made them prosperous".

He nevertheless saw the merger and redundancies as unstoppable.

Mr Feldges said it was difficult to predict the long-term consequences of the latest merger, though in the short term there would he costs. He drew a parallel with the successful merger of Ciba and Geigy in 1970, which had at the time prompted similar fears.

Employees at Ciba and Sandoz were surprisingly philosophical yesterday, calling the merger "good for the future of the enterprise", despite the threat to jobs. Many workers had heard the news first on the radio that morning.

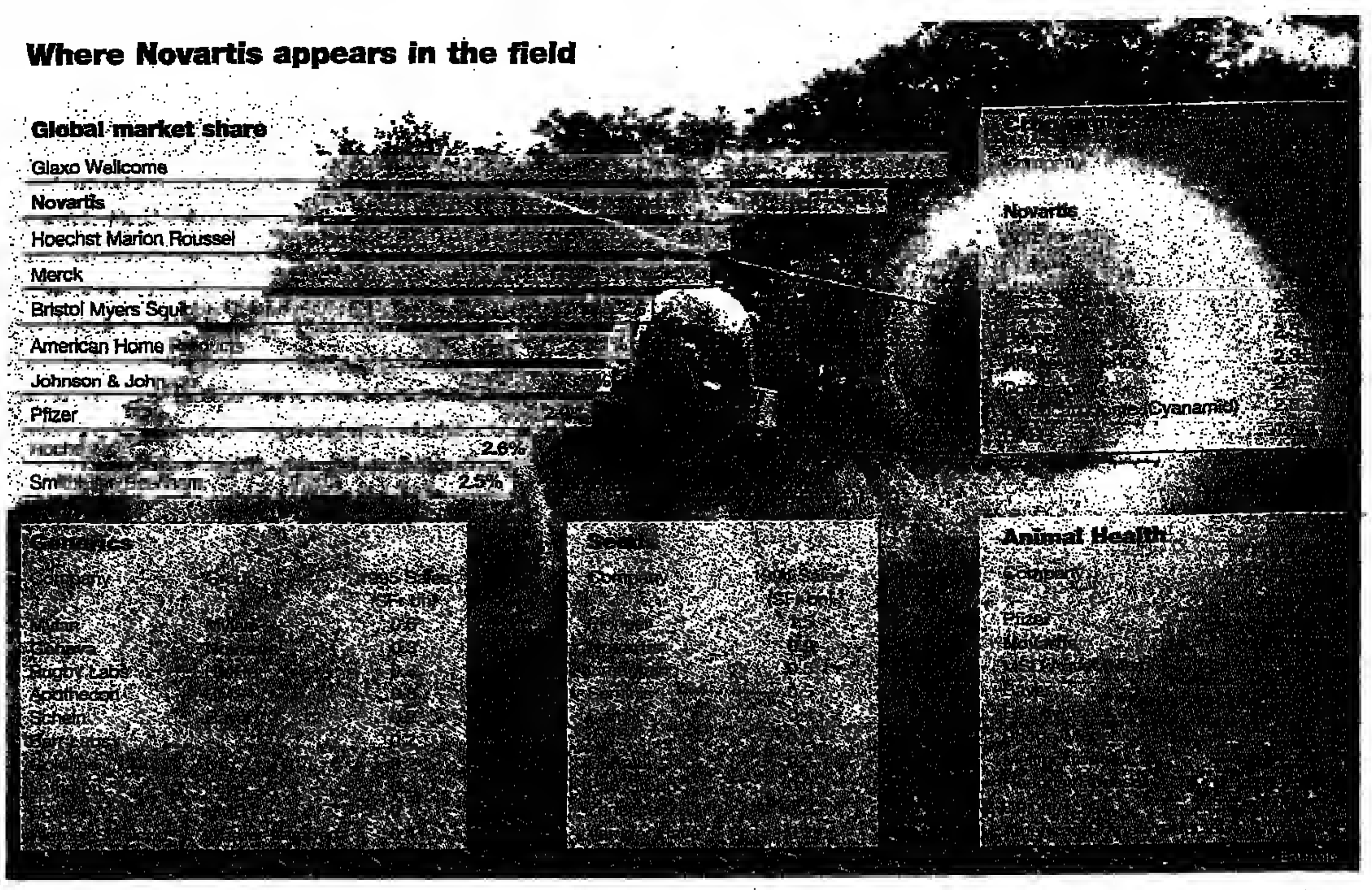
"A merger was probably inevitable," said one worker, adding: "It's better than merging with an American company." Another commented: "It's fantastic for those who will stay on, and good for Basle." His colleagues were not all so enthusiastic.

Mr Hans Schäppi, of the industry and building trade union, which represents blue-collar workers at the companies, said yesterday he feared a large number of job losses because of the synergies between the two groups in the region.

He called on the new company to avoid redundancies and to continne a dialogue with the unions on the issue, adding that he hoped Ciba's more enlightened personnel policy would prevail over Sandoz's.

Analysts said yesterday that one motive for the merger was to slash high coats in Switzerland. "Financially, it's a merger made in heaven. A large part of the companies' costs are in Switzerland, so these can be taken out," said Mr Peter McDougall, of Barclays de Zoete Wedd.

However, some analysts said job cuts in Switzerland would be expensive and could lead to higher initial costs for restructuring.



■ SPECIALITY SPIN-OFF – By Jenny Luesby

Tough logic of 'Clariant Mk2'

Ciha's speciality chemicals husiness, which Novartis plans to spin-off, is so similar to the chemicals company Clariant, divested by Sandoz last year, that analysts yesterday dubbed it "Clariant Mark 2".

"There are going to be two very similar companies, facing the same issues, both sitting in Basle," said Mr Peter Mackey, European cbemicals analyst at Kleinwort Benson. "It's bound to raise questions about industrial logic".

It is as a result of timing that the two companies will be separate entities. Sandoz divested Clariant on July 1. It started talking to Ciba about a merger in December.

But the reasons for getting rid of Ciba's industrial chemicals may be even more compelling tban those which saw Sandoz spin off Clariant, say some analysts, wbo yesterday described the results for Ciba's industrial division as "very disappointing".

Two of its businesses, textile dyes and chemicals, have been struggling for some time.

Textile dye producers in India and other low-cost countries in Asia have anyway moved into a position of market dominance, as Asian textile producers capture markets previously beld hy Europeans.

On the chemicals side, Ciba supplies the paper and leather industries, as well as textiles, all of which are in difficulties. It also makes whiteners and brighteners for detergents, a fiercely cost competitive market. But yesterday's figures suggest that some of the stronger businesses in the division, such as additives, pigments and polymers, are also suffering from the European slowdown. As a whole, Ciba's industrial division reported a 10 per cent fall in operating profits last year, to SFr834m ($1.02bn), on sales down 3 per cent at SFr7.9hn.

Four-fifths of this division will go into the new speciality chemicals business, with Mettler Toledo, the weighing equipment producer, and Ciba's composites business set to be excluded.

Mettler Toledo, with sales of SFr1.01bn last year, is to be launched as a stand-alone public company within the next three months, Ciba said yesterday. Meanwhile, the composites business, with turnover of SFr391m, was last week transferred to Hexcel, of the US, in return for 49.4 per cent of Hexcel's common stock, and undisclosed cash payments.

The remaining five businesses, textile dyes, chemicals, additives, pigments and polymers, had combined sales of SFr6.5hn last year, and analysts yesterday estimated the new company's worth as exactly equivalent to sales.

■ ROLE OF THE BANKS – By Nicholas Denton

US groups pull off European coup

J.P. Morgan and Morgan Stanley – advisers to Ciba and Sandoz, respectively, on their merger – have carried the battle for dominance of global investment hanking right to the gates of the European houses.

In some European countries such as Italy, Spain and Sweden, US investment banks have made Inroads because they faced weak domestic opposition. But in Switzerland the situation was different.

The three large Swiss bank groups – Swiss Bank Corporation, CS Holding and Union Bank of Switzerland – have put significant resources into investment banking, in part to service the increasingly complex financial needs of their domestic clients. Moreover, they had every opportunity to influence the two pharmaceuticals companies' choice of advisers.

SBC's headquarters in Basle is a few minutes from those of Ciba and Sandoz. And a web of board links ties together the banks and the large Swiss pharmaceutical companies. For instance, Mr Alex Krauer, Ciba chairman, sits on SBC's board of directors.

Even if there were conflicts of interest which prevented the Swiss banks competing, the unfolding under their noses of Europe's higgest merger is galling.

European competitors concede the deal is a coup for the US banks. "The two pharmaceuticals companies are very conscious that relying on US investment banks is a revolutionary step," says one banker associated with the deal.

Involvement in the merger is particularly significant for J.P. Morgan at a time when it is mounting a push in Europe and challenging Goldman Sachs, Morgan Stanley and Merrill Lynch for dominance in global investment banking.

In mergers and acquisitions in Europe, J.P. Morgan has broken through. In recent months it advised TSB Group on its deal with Lloyds Bank, which created the biggest UK retail bank. Mr Roberto Mendoza, vice-chairman of the bank, coordinated the highly-regarded, if ultimately unsuccessful, defence of Forte from Granada's hostile bid. The bank also advised on the acquisition by Hoechst, the German chemicals company, of Marion Merrell Dow of the US.

In 1995, J.P. Morgan advised on $40.3bn worth of acquisitions in Europe, second only to Morgan Stanley, according to IFR Securities Data. With the Ciba deal and others J.P. Morgan says it is working on, that level will ba surpassed in 1996. "Success, unless yon blow it, tends to lead to success," says Mr Terry Eccles, head of the bank's financial institutions group.

With J.P. Morgan's new prominence in investment banking, history has turned full circle.

It was the premier dealmaker in the US until the Glass-Steagall Act of 1933, as a result of which the company was broken up into a securities business – which became Morgan Stanley – and a commercial banking rump.

J.P. Morgan returned to investment hanking in the 1980s, as application of the act was relaxed, and has devoted particular attention to Europe. It had the benefit of a banking presence in Europe going back 130 years and the freedom there to pursue securities business forbidden to it in the US.

It has taken time to overcome the commercial banking legacy. When J.P. Morgan began to offer advice on acquisitions in 1986, its investment bankers had to channel communications with clients through the sometimes unsympathetic commercial bankers who managed relationships. And, in the US at least, it is still widely thought of as a commercial bank.

But as one executive says: "In Europe we don't have that baggage." Mr Rod Peacock, co-head of M&A Europe, says the bank has transcended its origins. "It's so long in the past that we were simply a commercial hank that I've stopped thinking in those terms," he says.

While seeking to retain its team-playing ethic, the bank is embracing the investment hanking culture. But competitors say the firm has lost its reputation for "white shoe" civility. One rival involved with J.P. Morgan bankers in a recent deal says: "They behaved like streetfighters."

J.P. Morgan's bankers quietly relish their new pushy image. "We are trying to play catch-up. We had to go out and be more aggressive. If we didn't do something about perceptions, we would be lagging three years behind reality rather than 18 months," says one.

J.P. Morgan's men (left to right): Klaus Diederichs, co-head of M&A Europe, Terry Eccles, head of the financial institutions group, and Rod Peacock, co-head of M&A Europe

Competitors still question that reality. Mr Jacques Aigrain, head of J.P. Morgan's pharmaceuticals practice in Europe, and Mr Eccles, command widespread respect. "But," one rival says, "I'm not sure whether two industries and two bankers a glohal investment bank makes."

The US group rejects that conteotion with a list of deals in other sectors. But opponents also say its relative weakness in equities makes it more of a "mergers and acquisitions boutique" than an investmeot hank ahle to provide the full range of services.

J.P. Morgan lags well behind Goldman Sachs, Morgan Stanley and Merrill Lynch in lead managing privatisation issues and other equity offerings.

However, the bank led Europe's largest high-tech flotation last year, the $469m stock market sale of MEMC, the subsidiary of Veba. And, while it inclines against an acquisition of a European securities operation, it is adding to its 200 equities staff in the region at a rate of 30 per cent a year.

"Expansion of equities is my number one priority," says Mr Walter Gubert, head of Europe. "People have seen what we have achieved in mergers and acquisitions. And now we will show them what we can achieve in equities. It's inevitable."

■ RESULTS

Strong profits growth reported

Sandoz and Ciba yesterday nnveiled double-digit profits growth last year, despite declining sales caused by the strength of the Swiss franc, writes Jenny Luesby.

At Ciba, pre-tax profits rose by 13 per cent to SFr2.91bn ($2.42bn) from SFr2.57bn the previous year, on sales down 6 per cent at SFr20.7bn.

On a like-for-like basis, sales fell by 3 per cent, the company said.

Meanwhile, the company redneed its cost of sales hy 6 per cent, its overheads hy 11 per cent, and its financial charges by 14 per cent. Mr Alex Kraner, chairman, said tbis demonstrated that Ciha had "learned to live with currency factors".

In local currency, Ciba's like-for-like sales rose by 6 per cent and its operating profits by 42 per cent.

By business, the strongest performance came from the agricultural division, where operating profits advanced by 33 per cent to SFr969m, in Swiss francs. This rise had been "fuelled by the extraordinary performance of Program", the flea treatment for cats and dogs.

In healthcare, operating profits were up by 12 per cent to SFr1.9bn. However, the indnstry division reported a 10 per cent decline in operating profits, to SFr834m.

The additives, pigments, polymers, composites and Mettler Toledo divisions had all "delivered positive results", the company said. But textile dyes and chemicals "continued to be challenged by difficult market conditions".

Meanwhile, Sandoz, which spun off its chemicals business on July 1 last year, reported an 11 per cent increase in operating profits, excluding net gains from the divestiture of Clariant, its chemicals side.

The group's consolidated sales, including chemicals until June 30, fell by 4 per cent, to SFr15.2bn. But on continuing businesses, sales were np by 4 per cent in Swiss francs, to SFr14.11bn, and 14 per cent in local currency.

On a consolidated basis, operating profits in the pharmaceuticals division increased by 12 per cent to SFr1.76bn. Sales of Neoral and Sandimmun had increased by 10 per cent in local currencies, the company said, while Lamisil rose by 23 per cent, and Leponex/Clozaril by 19 per cent.

In nntrition, operating profits rose hy 60 per cent, to SFr445m, helped by the acquisition in mid-1994 of Gerber, the infant nutrition producer.

However, in the agriculture and building division, operating profits fell by 16.2 per cent to SFr506m.

In local currencies, seeds sales grew hy 2 per cent, driven by demand for vegetable and flower seed in Europe. The agrobusiness lifted sales by 9 per cent, thanks to strong sales growth for the herbicide Frontier and the fungicide Alto. The building chemicals business, MBT, raised sales by 4 per cent.

Income of SFr460m on the divestiture of Clariant was offset by restructuring charges of SFr310m in the second half.

■ HOW THE COMPANIES GEL – By Motoko Rich

Meeting of two equals creates a tax-free fit

The elegance of the Novartis merger is in its simplicity: it has global implications without the cross-border complications.

The main benefit of a merger between two companies based in the same country is that the deal between them is tax free. Both companies will he absorbed into a new legal entity, which will be listed on the Swiss Stock Exchange.

As a merger of equals, the deal has many advantages. Because the transaction has been structured as a share issue, It allows two companies of compatible size to combine without an outlay of cash that an acquisition would entail.

In addition, there will be no goodwill to write off, leaving the merged company's balance sheet virtually intact. The deal is unlike Glaxo's acquisition of Wellcome last year, which entailed more than £5bn ($7.6bn) in goodwill being written off by Glaxo.

Shareholders in Ciba, which has 29.1m shares in issue, will receive 1 1/15 Novartis shares for each Ciba share, while shareholders in Sandoz, which has 38.9m shares in issue, will receive one Novartis share for each Sandoz share.

Following the transaction, Ciba shareholders will hold 45 per cent of the new company, while Sandoz holders will hold 55 per cent.

Prior to the merger announcement, Ciba had a market value of SFr32.9bn ($27.4bn) against Sandoz's capitalisation of SFr43.6bn. Based on these values, Ciba would represant 43 per cent of the combined market value, while Sandoz would represent 57 per cent.

According to advisers to both companies, however, Ciba shareholders will hold a slightly higher proportion of the combined company because it is believed Ciba is under-rated due to its speciality chemical holdings.

Once the chemical businesses are spun off, it is believed Ciba would warrant a higher rating, justifying the increased representation in Novartis.

When the speciality chemicals businesses – most of which are held by Ciba – are spun off and floated on the stock exchange, Novartis shareholders will receive shares in the demerged company in proportion to their Novartis holdings.

It is expected that the chemicals company, which is expected to float within the next 12 months, will be valued at about SFr6.5bn.

Both companies will pay their own dividends for 1995. The first joint dividend payment will be made in about April next year for the financial results of 1996.

Pro-forma 1995 sales in the new company were SFr36bn. Taking into account the demerger of the chemicals business and Sandoz's construction chemicals businesses, proforma sales were SFr26bn. Proforma operating income was SFr5.8bn.

The new group expects to make annual savings of about SFr1.8bn after three years. Half of those savings will be realised within 18 months.

"The savings will be cumulative," said Mr Raymond Breu, who will be chief financial officer of Novartis.

Mr Breu said that restructuring and redundancy costs, which will affect the merged group's 1996 results, will be of the order of SFr2bn. The group expects to reduce its workforce by about 10 per cent.

Novartis plans to set up a fund to help those who lose their jobs in the rationalisation to find new jobs. Mr Breu said: "This fund is designed for people to use for job training or to finance start-up companies if they want to found them. We will use the fund like a venture capital fund." The costs associated with the fund will be included in the restructuring charge.

About 90 per cent of the shares in both companies are registered sbares (for which the sbarebolders' names are held in a central register within the companies) and 10 per cent are bearer shares (for which the shareholders are not required to disclose their identities).

Neither class of shareholder will be able to exchange shares for the other class.

Both companies have granted each other the right to buy 270,000 shares in treasury from the other.

It is understood this a symbolic transaction.

RESULTS

Strong profits growth reported

In the fight against disease, this could be the most powerful weapon yet.

It's not magic. But it may yet work miracles.

This is the trademark of a completely different kind of pharmaceutical venture.

The recently-merged Pharmacia & Upjohn.

It's a partnership that has created a company of quite remarkable depth and scope: over 30,000 people working in 50 countries and serving 200 million people around the world.

And it's for those 200 million people that this announcement should come as very good news.

Because the merger will give two pools of specialised medical talent the opportunity to work together for the first time ever.

Resulting in real, tangible benefits in the fight against cancer, AIDS, infectious diseases and many other medical conditions.

This merger is not simply a matter of shared resources, however.

It is also about shared ideals.

Our trademark stands as a symbol for humanity, hope and inspiration.

Values that we intend to apply to every single aspect of the way we do business.

You are surprised to hear such sentiments coming from a global pharmaceutical company?

This is not the last time we'll be surprising you.

You can be sure of that.

Pharmacia & Upjohn

ASIA-PACIFIC NEWS DIGEST

Forex gains boost Korean Air Lines

Korean Air Lines, the South Korean carrier, reported a 187 per cent jump in net profits to Won105.9bn ($136m) for 1995, mainly because of foreign exchange gains of Won89.5bn. Sales rose 11 per cent to Won3,380bn. Earnings were also helped by an sharp increase in overseas travel by Koreans, with the operating profit rising 7 per cent to Won291.6bn.

The results, which were better than expected, make Korean Air one of the most profitable airlines in the world. However, some analysts warned that future profitability for the carrier largely depended on currency movements. Although overseas travel by Koreans is expected to continue increasing because of the buoyant economy, Korean Air faces cost pressures with its plans to spend Won11,000bn by 2005 to modernise its fleet by purchasing 150 new aircraft. *John Burton, Seoul*

McDonald's surges in Japan

The changing tastes of Japanese youth and a sustained campaign of price-cutting helped McDonald's Co (Japan) to another year of record profits in 1995. Recurring profit, before extraordinary items and tax, rose 53.9 per cent to Y18.8bn ($179m), on sales 17.4 per cent higher at Y253.4bn, to give the third successive year of record sales and profits.

Twenty-five years after the first McDonald's was opened in Japan, the proliferation of outlets has hardly proved sufficient to keep pace with demand, and despite sluggish economic conditions and depressed consumer spending in the past few years, the company has forged ahead. *Gerard Baker, Tokyo*

Housing downturn hits Boral

Boral, the Australian energy and building materials group, yesterday announced a 10.5 per cent fall in first-half profits to A$169.7m (US$129.2m) after tax. Sales in the six months to end-December fell 5.2 per cent to A$2.42bn. The result included an abnormal surplus of A$31.2m and a sharply reduced tax charge of A$36.6m, against A$94.2m. Before tax and abnormals, Boral showed a much larger 38 per cent fall in profits, from A$288.1m to A$178.5m.

The company blamed the poor figures on the "severity and intensity of the housing downturn in Australia and Europe". It said the December 1994 half-year had been the peak of the building cycle, making the comparisons particularly adverse. However, it noted that its recently expanded energy group, plus the benefits of acquisitions and rationalisation in the US-based operations had partially offset the "harsh domestic building and construction industry climate". The interim dividend is held at 10.5 cents a share. *Nikki Tait, Sydney*

Mixed performance at Amcor

Amcor, the Australian paper and packaging group, yesterday posted a 9 per cent improvement in profits after tax at A$213.5m (US$162.7m) in the half-year to end-December. Group sales rose from A$3.16bn to A$3.23bn, with fully-diluted earnings per share rising to 34 cents, compared with 32.1 cents a year ago.

Amcor said its various business units had achieved mixed results. The paper operations had generally fared well, and pre-tax profits rose from A$153.8m to A$173.2m. But the packaging side performed below expectations, with the Australian business encountering slowing demand, a competitive market and rapidly-rising raw material costs. Pre-tax profits from this division stood at A$192.6m, compared with A$186.4m last time.

Amcor said the slowdown in profits growth had continued into the first few months of 1996, and added that it did not foresee demand improving in the immediate future. It warned that "in view of the decline in prices in many of the key fibre-based segments of the business and overall pressure on volumes", it would be difficult to keep profits in January to June 1996 at the level of those in the same period last year. Its shares slipped 16 cents to A$9.19 on the news. *Nikki Tait*

New Japanese equities fund

A new investment trust concentrating on Japanese equities will focus on the country's service and leisure industries, which should grow as Japan's traditional manufacturing industries decline.

Mr Ed Merner, a leading figure among foreign fund managers in the Japanese stock market, said yesterday that he expected manufacturing to gradually fall from 27 per cent of Japan's GDP to a level more in line with the US and Germany, of between 17 and 21 per cent. He will run the fund for Atlantis Investment Management, a London-based investment boutique which he joined last month. *Antonia Sharpe*

Hongkong Electric rises despite slowing demand

By Louise Lucas in Hong Kong

Hongkong Electric Holdings, which owns the monopoly supplier of electricity to Hong Kong island, yesterday reported an 8.6 per cent rise in net profit from HK$3.85bn to HK$4.19bn (US$542m) in the year to end-December 1995, in line with market forecasts.

However, the trend of decelerating growth in sales – already witnessed by China Light and Power, which supplies the more densely populated and factory-studded Kowloon peninsula and New Territories – sparked some concerns.

Electricity unit sales at Hongkong Electric grew just 1.5 per cent – a figure which, as SBC Warburg points out, is much lower than the company's long-term forecast of 5 to 7 per cent growth a year from 1994 to 1998. The company itself attributed the modest growth to a "cool and wet summer", adding that the slowing economy also took its toll.

Maximum demand was likewise depressed, registering a marginal year-on-year drop of 0.7 per cent from 2,021 MW for 1994 to 2,006 MW last year.

Mr George Magnus, chairman, said the weather effect was a temporary one and that the rash of new buildings coming on stream in the colony's expanding business districts would ensure the long-term growth projections were met.

Failure to meet the projections, which are submitted to government, could impact on capital expenditure plans from 1999 onwards. Slowing demand has already prompted CLP to delay a number of its projects.

But yesterday's results statement said further substantial generating capacity would be needed in the next century, and that the company had handed the government its capacity expansion plans and proposals for a number of site options. Once government approval is secured, the first generating unit would be commissioned in 2003. The project will require "very substantial ongoing investment", said Mr Magnus.

Mr Andrew Hall, head of research at Kleinwort Benson in Hong Kong, conceded that growth rates in the maturing Hong Kong economy were not as great as they had been, but believed they were still attractive.

Hongkong Electric's profit this year was helped by a HK$460m gain from the sale of the last seven blocks of South Horizons, a mass-residential venture jointly developed with Cheung Kong and Hutchison Whampoa, fellow companies in the Li Ka-shing stable.

Earnings per share rose from HK$1.90 to HK$2.07 and a final dividend of 70 cents is proposed for a HK$1.11 total, against HK$1 last time.

Ashanti determined to run its own show

The Ghanaian group is aiming to become the leading goldminer in Africa, writes **Kenneth Gooding**

Rumours have been swirling around Ashanti Goldfields of Ghana. Some analysts suggest Anglo American Corporation of South Africa is on the prowl, looking for a substantial shareholding in a company poised for growth on Anglo's doorstep in Africa.

Questions are also being asked about the future of Mr Sam Jonah, Ashanti's chief executive, who in the past few years has driven the company into the world's small and exclusive club of 1m-ounce a year producers.

This speculation seems to stem from the recent announcement by Lonrho, the UK-based conglomerate, that it aims to demerge its mining interests, which include a 37 per cent of Ashanti, the biggest single shareholding. At the same time, Mr Dieter Bock, Lonrho's chief executive, indicated he would devote little time to the mining business after the demerger. "I am not a miner," he said.

Some observers suggest Mr Bock might be persuaded to sell Lonrho's Ashanti stake. Potentially interested parties include Barrick Gold of Canada, Gencor of South Africa and RTZ-CRA, the Anglo-Australian group. But Ashanti has particular attractions for Anglo, which wants to expand in Africa for strategic reasons. Closer links with Ashanti might also help Anglo solve some of the management problems in its gold division.

There are, however, some considerable obstacles in the path of any predator. By far the most important is the attitude of Flight Lieutenant Jerry Rawlings, president of Ghana, who has taken a close personal interest in Ashanti's development and promoted its interests. He sees Ashanti as an "African success story" whose recovery from a relatively moribund state reflects Ghana's trail-blazing toward African economic reform.

Privatisation of Ashanti in 1994, when it was re-floated in London and in Accra, in no way indicated a willingness by the president to see Ashanti lose its independence. The objective was to speed up its expansion plans. Ashanti already contributes more than 25 per cent of Ghana's foreign exchange earnings and is its biggest employer.

Ghana's mining regulations insist that any change of control at a mining company operating in the country must have government approval. When Ashanti was floated the government not only retained a substantial shareholding – still about 20 per cent – but also kept a "golden share" to block any unwelcome predator.

In London, meanwhile, Lonrho recognises that the demerger proposals have focused attention on some prime mining assets that previously were rather shrouded by Lonrho's myriad other operations. Nevertheless, it stresses: "[We do] not intend to entertain offers for bits of [our] mining business."

Where does this leave Mr Jonah? He leaves no room for doubt. "Ashanti has been my life since I left school in 1969. It put me through university. My commitment is to Ashanti. All my hopes and dreams flow from this company."

He points out that Ashanti's annual gold output has increased at a compound rate of 15 per cent for the past 10 years, and earnings by 20 per cent. The response to Ashanti's recent fund raisings, particularly last week's £175m ($268m) convertible, when $1bn was offered by would-be investors, shows "our shareholders have an appetite for growth".

Mr Jonah insists there is no reason Ashanti should not emulate the performance of Barrick Gold, which in 10 years – from scratch – became the biggest gold producer outside South Africa. "We have a better start than Barrick had. In future there will be a handful of international mining companies operating world-wide and Ashanti will be one of them. We will be the leading player in Africa."

Mr Jonah has drawn together a management team that has a clear strategy for achieving these objectives. The strategy has three elements.

First, Ashanti will nurture Obuasi, the 100-year-old Ghana mining complex that until recently was providing all its gold production. The company will spend $140m a year for the next 2¼ years to ensure that Obuasi can continue producing at the 1m ounce a year rate far into the future.

Second, Ashanti intends to build a portfolio of mining and exploration projects throughout Africa. African countries already have been queueing up to encourage Ashanti's heavy involvement in developing their gold mining industries.

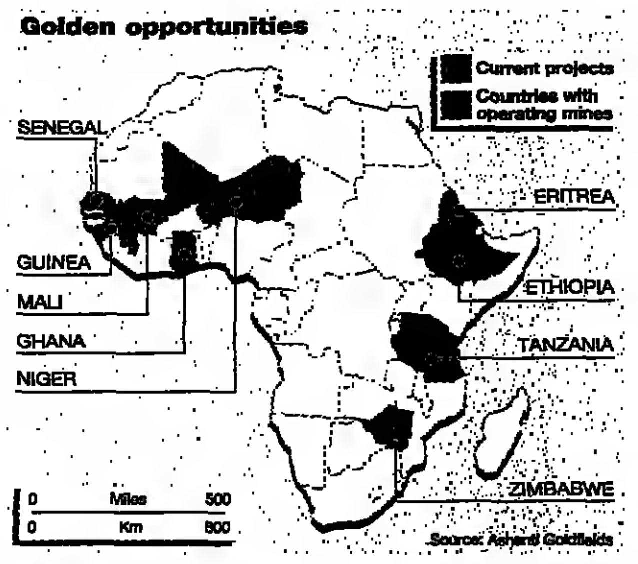
Mr Jonah says there is tremendous goodwill towards Ashanti because it is an indigenous African company, but the interest in having his company involved springs from a growing recognition of its tremendous technical expertise both in mining – nearly every type of mining method is employed at Obuasi, including bacterial leaching of ore – and in financial engineering.

The third element in the strategy is the acquisition of interests in African projects or companies operating in Africa where Ashanti's range of skills, not only technical but also in such areas as procurement (it is among the world's biggest buyers of mining consumables such as cyanide, explosives, fuels and mechanical equipment) and hedging can quickly find synergies.

For example, after the recent $86m acquisition of Cluff Resources, the UK-based company with African operations, Cluff's production was immediately hedged to produce a minimum of $415 an ounce instead of being sold at spot prices.

There are few Cluffs available, but Ashanti is looking for projects at an early stage where it can take control and be operator. In future, says Mr Jonah, Ashanti will not have to concentrate all its efforts on one mine in one country. "Now every time we have a dollar to spend we have tremendous flexibility to get the maximum shareholder value."

Golden opportunities



Issue plan hits shares in Thai Telecoms

By Ted Bardacke in Bangkok

Shares of Thai Telephone and Telecommunications (TT&T), a private installer of fixed telephone lines in the Thai provinces, fell by their legal limit of 10 per cent to Bt95.50 on news of a capital-raising plan.

The plan, designed to raise about Bt5.5bn ($218m) to finance the installation of an additional 500,000 telephone lines, involves the issue of 290m new shares. Of these, 250m will be offered to existing shareholders at Bt10 each, in a ratio of one new share for each two shares held.

The remaining 40m shares will be reserved for the conversion of a new convertible debenture, worth Bt3bn, that the company also plans to issue.

The expected dilution effect of the capital raising plan is about 5 per cent, according to Mr Dan Fineman, a telecommunications analyst with Jardine Fleming Thanakom. The market had overreacted, he said, especially given that the company's need to raise capital has been known since it was awarded the extra 500,000 line installation concession nine months ago.

The extra lines require an investment of about Bt15bn and TT&T said it would cancel its 1995 dividend payment to raise extra funds.

TT&T's move has worried many investors that TelecomAsia (TA), another private fixed line company, will introduce a similar capital-raising scheme to finance the extra 600,000 lines it was awarded last year. But TA's cash needs were not as urgent, Mr Fineman said, noting that in addition to holding 2 per cent of United Communication which it can unload to raise cash, TA has a net debt to equity ratio of 42 per cent compared with TT&T's 73 per cent.

However, TA is branching out into other areas such as cable television and satellite operations, as well as potential investments in India. These could push the capital needs higher, analysts said.

Goodman Fielder registers 5.2% gain in first half

By Nikki Tait in Sydney

Goodman Fielder, Australia's biggest food manufacturer which has been the subject of significant boardroom and managerial changes recently, yesterday reported a 5.2 per cent improvement in profits for the first half to end-December, to A$52.9m (US$40.2m) after tax but before abnormals.

Profits for the same period a year ago were A$50.3m. After abnormals, the net profit in the latest half was A$45.9m, against A$20.3m a year ago. The main abnormal item this time was a A$7m provision relating to Goodman's new snack food venture in Indonesia after a "lower-than-expected performance" in its first year of operation.

Sales for the group overall rose by 5.8 per cent, to A$2.08bn, while earnings per share (before abnormals) edged higher to 4.4 cents from 4.3 cents. There will be an interim dividend of 2.5 cents a share.

The company said the result was achieved after a sharp rise in raw material costs – notably wheat.

Despite this, the milling and baking unit held profits at A$42.6m, while the European businesses boosted their contribution from A$19.2m to A$24.8m. The Meadow Lea oils and margarine division also improved to A$22.1m from A$13.9m. Ingredients, however, slipped from A$19.1m to A$16.3m, while the poultry business slipped to A$3.2m from A$9m.

Mr David Hearn, Goodman's new managing director, said the company had struck a new agreement with Bunge, the South American group, over the companies' respective milling and baking operations in Australia. The original deal, which would have seen these pooled into a joint venture controlled by Goodman, was blocked by Australia's competition authorities. Mr Hearn said the new agreement had been approved by the competition watchdog, but he declined to describe its structure until due diligence has been completed.

Looking ahead, Goodman said it expected the second half to be tougher, and full-year profits were likely to be flat.

Trizec plans to build up its overseas operations

By Bernard Simon in Ottawa

Trizec, one of North America's biggest property developers, plans to expand overseas, combining its own expertise with contacts built up by other companies controlled by Mr Peter Munk, the Canadian entrepreneur.

Mr Greg Wilkins, who was named chief executive yesterday, said that Trizec would seek both acquisitions and new projects, probably in partnership with institutional investors as well as local interests.

The Toronto-based company, which has interests in 75 office towers, shopping malls and other properties in North America, aims to garner between 20 per cent and 25 per cent of its cash flow from international operations over the next three years. The focus will be on central Europe, south-east Asia and Latin America.

Mr Wilkins, who has worked for Mr Munk since the early 1980s, replaces Mr Bill L'Heureux, a merchant banker who joined Trizec before a financial restructuring in mid-1994.

Trizec was previously controlled by Toronto's Bronfman family. The restructuring left Horsham, Mr Munk's investment holding company, with a 48 per cent stake. Mr Gerald O'Connor, a New York financier, is the next biggest shareholder with 26 per cent.

Mr L'Heureux will spearhead Trizec's international drive. According to Mr Wilkins, the decision to expand overseas was prompted partly by limited opportunities in the US and Canada.

"We have this great development skill in Trizec and it doesn't get used in North America," he said. However, he added that new offshore projects would require higher returns than Trizec's existing properties "to compensate for the risk".

Trizec hopes to benefit from the wide international contacts established by Barrick Gold, the gold producer which is also controlled by Horsham. Mr Munk has attracted a number well-known people to the Horsham and Barrick boards, including Mr Karl-Otto Pöhl, ex-Bundesbank president, and Mr Brian Mulroney, former Canadian prime minister.

Horsham earlier dipped its toes into the international property market by developing a large industrial and commercial park on the outskirts of Berlin. The project was initially a disappointment but has bloomed in recent years.

In partnership with Warner Brothers, the US entertainment group, Horsham is currently seeking approval to build an entertainment and restaurant complex on the site. Horsham is expected to fold the German subsidiary into Trizec at some point.

Peter Munk, whose Horsham group owns 48 per cent of Trizec

Sadia turns in record result

By Jonathan Wheatley in São Paulo

Sadia, Brazil's biggest meat packing and processing company and a leading soya producer, announced record profits for 1995 after a strong recovery in the fourth quarter, traditionally a peak season for the industry.

Net profits rose from R$68.3m in 1994 to R$107.5m (US$109.3m) on turnover of R$2.82bn – down from R$2.88bn in 1994. Return on shareholders equity was 13.6 per cent against 8.9 per cent; dividends per 1,000 shares were R$49.84, up from R$32.99. However, comparing figures for the two years is complicated by Brazil's accounting rules and 1994's change of currency.

Over 70 per cent of profits resulted from strong fourth-quarter sales in the run-up to the end-of-year holidays. "This is not at all atypical for the company or the industry," said Mr Arléu Aloísio Arnhalt, director of market relations.

Mr Arnhalt said profits were helped by gains in productivity. Operating costs were 7 per cent lower than in 1994.

"We spent R$7m on training last year we are already seeing a return on the investment," he said, noting that productivity was increased without job cuts. Sadia also spent R$92m on automation and other productivity improvements.

Margins in 1995 averaged 4.3 per cent, up from 2.7 per cent in 1994. Mr Arnhalt said the increase in profitability was largely due to better sales of processed products with higher added value. Processed goods accounted for 38 per cent of turnover in 1995, up from 33 per cent.

Sales of foods and other low-cost goods have benefited more than those of higher-cost items following the end of high inflation with the introduction of Brazil's new currency, the Real. Sales suffered in the middle of last year, however, when the government acted to contain a consumer spending spree that threatened to overheat the economy.

"Average consumption was higher last year than in 1994," Mr Arnhalt said, "and consumers spent more on better quality products, which is where Sadia has an advantage over its competitors."

The one black spot was exports, which fell from $567m in 1994 to $397, their lowest level since 1991. This mirrors export performance across the economy which was hurt by tha strength of the Real against the US dollar.

AMERICAS NEWS DIGEST

Mexico approves Kimberly link-up

Mexico's Federal Competition Commission has approved a planned merger between Kimberly Clark de México and Crisoba, an affiliate of Scott Paper of the US, but it has ordered the sale of many brands and paper plants to safeguard competition in Mexico's consumer paper products industry.

The planned link-up is a result of the proposed merger between Kimberly Clark Corp and Scott Paper in the US, in which Kimberly Clark de México (KCM) will indirectly acquire part of its smaller rival Crisoba.

The Mexican companies are fierce competitors in the market for bathroom and facial tissues, paper napkins and feminine care products. KCM is also the market leader in baby diapers, notebooks and printing and business paper. Their merger would create the seventh-largest company on the Mexican stock exchange, with a combined capitalisation of about $3bn.

The Federal Competition Commission said it had ordered Crisoba to sell its feminine care brands to reduce the combined market share of both companies from about 63 per cent to the 38.4 per cent currently held by KCM.

In the paper products sector, where both companies would control around 80 per cent of the market, the Federal Competition Commission has ordered the sale of KCM's Regio toilet paper brand, which has an 18 per cent market share, and Crisoba's Scotties and Suavel brands, as well as the divestiture by the two firms of 80,000 tonnes a year of tissue paper production capacity.

KCM yesterday accepted the competition watchdog's merger conditions. Mr Sergio Paliza, KCM's financial director, said both companies would still benefit from the merger despite the "very strict conditions" imposed by the government.

Leslie Crawford, Mexico City

Dismal quarter for Kmart

Kmart, the struggling US discount store group, yesterday reported dismal quarterly results but predicted that it was on the brink of an upturn. "These results represent the bottoming out of Kmart's financial decline," said Mr Floyd Hall, who took over as chairman and chief executive last year. "We are confident that our 1995 actions, our new management team, and an intense customer focus will produce a return to profitability in 1996 and longer term."

Net losses of $430m were reported for the fourth quarter to January compared with net profits of $145m a year earlier. Net losses on continuing retail operations were $369m against losses of $18m a year earlier. Full-year net losses were $571m against profits of $296m the year before.

Richard Tomkins, New York

New York SE ahead

The strength of the securities markets last year helped the New York Stock Exchange report net income for the year up from $44m to $56.7m, on revenues ahead from $452m to $501m. Average daily volume of shares traded rose from 291m shares in 1994 to 346m shares. Fourth-quarter net income rose from $1.4m to $13.5m with average daily shares traded up from 301m to 370m.

The Securities Industry Association said the industry's net income totalled $7.4bn in 1995, still below the $8.6bn record achieved in 1993, a banner year for the markets. But in terms of return on equity 1995 ranked fourth for the industry, which earned a better return in 1991 and 1992 as well as 1993.

Strong secondary markets led to $17.5bn in trading profits for the industry in 1995, close to the 1993 level. But a slow first half for underwriting acted as a brake on total profits. *Maggie Urry, New York*

CIBC up 37% in first quarter

Canadian Imperial Bank of Commerce, the country's second-biggest bank, said better credit quality and strong investment banking revenues sparked a 37 per cent jump in first-quarter profits. Earnings soared to C$1.53 a share in the three months ended January 31, up from C$1.03 last year and much higher than the C$1.26 estimated by industry analysts.

Reuter, Toronto

Death of US chemicals dynasty looks imminent

Even by the standards of corporate America, the apparent demise of W.R. Grace has been astonishing. Only a year ago Grace, a world leader in speciality chemicals and health care, was a family firm ruled by the founder'a grandson. Now, its 142-year history as an independent company seems over.

The immediate evidence is this week's news of a bid approach from a smaller US rival, Hercules. The approach has been rebuffed; bnt Wall Street is convinced that a bid is coming, from Hercules or others. Grace's atock price stood yesterday at $80, up 17 per cent on the week and twice the level of a year ago.

The company's remarkable soap opera began last March, with the sudden resignation of the company'a chief executive, Mr J.P. Bolduc. The news disturbed Grace's big shareholders. Mr Bolduc, an outsider with two years in the top job, had been credited with slimming down the company's highly diverse portfolio of businesses.

Within days, matters turned ugly. It emerged that the chairman, 81-year old Mr Peter Grace, had apparently failed to report generons payments from the company for such expenses as a private nurse, a cook and a Manhattan apartment. It also emerged that Mr Boldnc had been accused of sexually harassing employees.

By late April, Mr Grace was dead – three weeks before the shareholders' meeting to confirm his enforced resignation – and his elderly friends had been cleared from the board. There was then a brisk tussle over who should succeed him.

A leading candidate was Mr Constantine Hampers, founder and head of Grace'a National Medical Care (NMC) subsidiary, the biggest US provider of kidney dialysis. But the job went to an outsider, Mr Albert Costello, former chairman of American Cyanamid.

Mr Hampers promptly bid $3.5bn to take NMC private. The new Grace board rejected this, and instead announced NMC would be spun off free to sharebolders.

This plan also ran into trouble, not helped by news that NMC was being investigated by the US anthorities for alleged over-charging.

Last month, the healthcare group Baxter International bid $3.8bn for NMC. Grace immediately produced a new proposal: NMC would be merged with a rival kidney dialysis company, Fresenius of Germany, with Grace to receive $2.3bn cash and a 45 per cent stake in the merged company.

Baxter bowed out, and the Fresenius deal went ahead. This left the rest of business – one of the world's biggest suppliers of speciality chemicals – on the block.

On Monday, Hercules announced it had made an unspecified offer for the chemicals business, and that Grace had refused it.

This raised some ethical questions. Hercules' highly regarded chairman, Mr Tom Gossage, had been invited on to the Grace board by Mr Costello 8 months ago. On Monday, Mr Gossage duly resigned from Grace, thus freeing himself to pursue a hostile bid (Hercules will not comment on its plans).

What happens next is open to speculation. A bidder for the chemicals business would have to decide what to do with the 45 per cent stake in the Fresenius healthcare merger. The chemicals business itself could be further broken up.

Perhaps the chief moral of the story is one of old men clinging to power. When Mr Grace died, he had been running the company for 47 years. Company founders, or their descendants, all too often remain to the bitter end, believing that only they can guarantee the survival of the business. More often than not, they doom it to extinction.

Tony Jackson

COMPANY NEWS: UK

Wessex Water bid for SWW tied to charges

By Peggy Hollinger and George Parker

The water industry regulator is expected to demand cuts in charges of more than 15 per cent as the price of allowing Wessex Water to proceed with its proposed bid for neighbouring South West Water.

While most water company shares soared on the news of the proposed bid, prompting hopes of a flurry of takeovers in the sector, Wessex lost 20p to close at 324p, partly due to the view that the regulator would impose tough conditions on a takeover.

South West, which yesterday described Wessex's intentions as "unsolicited and unwelcome", saw its shares leap 70p to 608p, valuing the group at £790m.

The Office of Water Services last year demanded a 15 per cent price reduction over six years for allowing the merger of the relatively small North East Water and Northumbrian Water last year. It said yesterday the first merger among the big 10 water and waste companies might result in deeper cuts.

The market speculated that Ofwat could demand cuts of up to 20 per cent.

Wessex said yesterday it expected considerable cost savings as a result of merging the two companies. However the price it paid, which would be at a premium to Tuesday's close of 608p and either wholly or largely in cash, would depend on the reductions demanded by the regulator and the approval of the Monopolies and Mergers Commission.

Under current regulation all water company bids must be examined by the MMC.

Analysts speculated that Wessex would have to pay between 800p and 860p to win South West Water.

Fergus Wilde

Nicholas Hood, Wessex chairman, is looking for cost savings

Zeneca claims independence

Zeneca yesterday proclaimed its determination to remain independent as the drugs industry consolidates, by generating "double digit growth in earnings per share" over the next few years, writes Clive Cookson.

As Ciba and Sandoz got together to form Novartis, a huge new Swiss competitor, the pharmaceuticals and agrochemicals group announced a 15 per cent increase to £878m ($1.35bn) in 1995 profits before tax and exceptional charges.

The results were broadly in line with market expectations, but the shares rose 9p to £13.77p in response to renewed takeover speculation.

It also announced the sale of two businesses following a review of its specialty chemicals division.

Specialty inks will be bought by Sun Chemical of the US for $62m (£40m).

In addition, "discussions are well advanced with a number of parties" for the sale of the textile dyes business, according to Mr David Barnes, chief executive.

Zeneca continues to pursue cost savings through cutting its workforce; 550 jobs will be lost this year from a worldwide staff of 31,500.

Sales of all Zeneca's main pharmaceutical and agrochemical products grew in 1995. Its biggest seller, the heart drug Zestril, rose 12 per cent to £547m; cancer drugs were up 16 per cent to £630m; and sales of the Diprivan anaesthetic rose 22 per cent to £300m.

National Lottery restrains Ladbroke

By David Blackwell

A combination of the National Lottery and scratch cards knocked back betting profits at Ladbroke, the hotels and gaming company that has been the subject of bid rumours for several months.

Mr Peter George, chief executive, admitted the group had been vulnerable after a tough year, but dismissed the recent talk of bids. "We are not aware of anyone out there."

Rumoured bidders include Bass and Hilton Corporation, the US hotels group. Ladbroke, which owns the Hilton name outside the US, has been seeking further co-operation with the US group.

The profits fall was flagged last November, when the group warned that profits before exceptionals would be "somewhat lower" than the previous year's £128.5m. Yesterday it reported pre-exceptional profits of £121.3m on unchanged sales of £3.75bn.

Operating profits in the betting and gaming division, fell from £97.7m to £58.1m on sales of at £2.67bn (£2.69bn). In contrast, the Hilton International hotels division improved profits from £126.8m to £150.2m on sales of £987.1m (£905.3m).

Last month, Mr Stephen Bollenbach moved from Disney to become chief executive of Hilton in the US, replacing Mr Barron Hilton, son of the late Conrad Hilton. Mr George said Mr Bollenbach shared the Ladbroke view that the two had "more to gain by working together than by working apart." But he would need some time before definite proposals emerged.

Profits before tax after £25.9m of exceptionals were £95.4m (£229.8m loss).

Acquisition needed to give group a presence in global market

F&C in talks for fund manager

By Norma Cohen

Foreign & Colonial, the UK's largest independent investment trust manager, yesterday said it was in talks to acquire ESN Pension Management Group in a deal which would create one of the UK's largest fund managers.

If the deal is completed, F&C would acquire a badly needed significant presence in the UK pension fund market, a sector in which it has made negligible headway. F&C has 278 employees and £12.3bn under management, of which about £1.5bn is that of UK pension funds.

ESN is the in-house manager of the £14.4bn in assets of the now privatised electricity industry which put itself up for sale last autumn. It has 99 employees and manages 23 separate pension funds for about 182,000 members, making it the UK's third largest pension scheme.

As part of the deal to sell ESN, trustees to each of those schemes have signed an agreement not to withdraw their funds from ESN before March 1998.

While other leading UK fund managers have suffered from over-reliance on a single product in a single market – that is, UK pension funds – F&C draws 32 per cent of its assets from clients based abroad. It has by far the largest share of the UK investment trust market and is the UK's largest manager of amerging markets funds.

It has benefited from its relationship with its 50 per cent shareholder Bayerische Hypotheken-und-Wechsel-Bank (Hypo Bank) which has acted as a distributor for F&C's retail products in Germany. Some 35 per cent of F&C's assets are those of Hypo Bank clients.

However, its aspirations to have a genuine global presence have been hampered by its inability to break into the institutional market in its home country. The drive for critical mass in the fund management industry is fuelling merger and acquisition activity, much of it from non-domestic buyers in the UK.

Since announcing it was seeking a buyer, ESN has had offers from 18 organisations, four of which were viewed as serious. It is understood that US-based Invesco, and two German-owned fund management companies, Kleinwort Benson Investment Management and Jupiter Tyndall had also been contenders for the purchase.

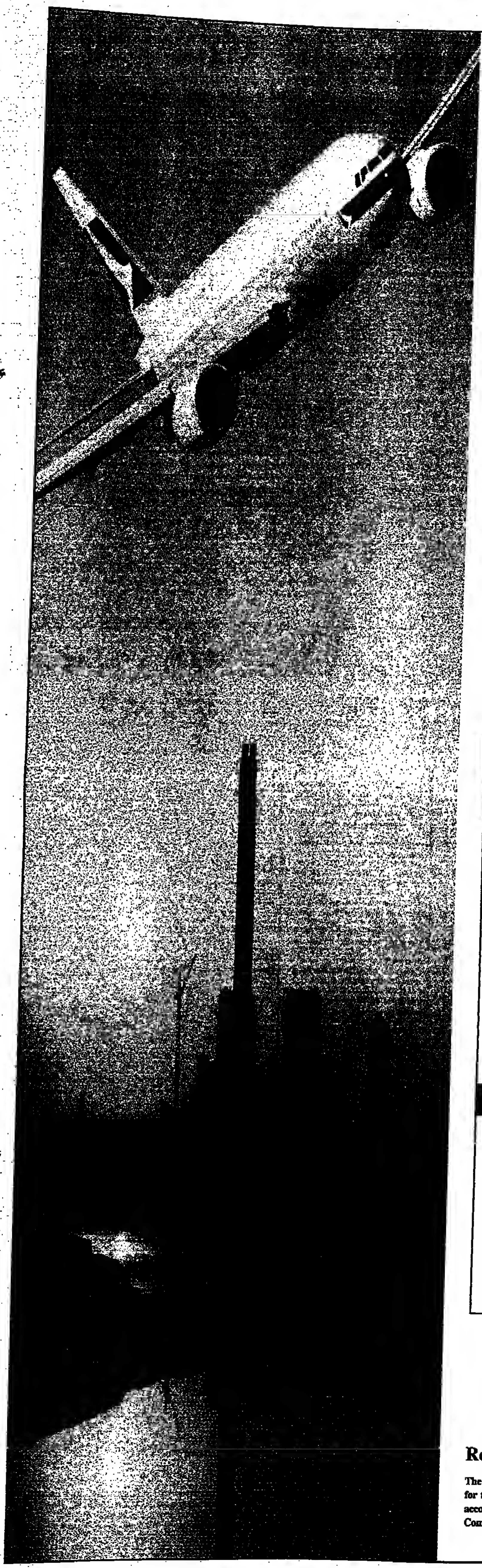
Final terms of the deal have yet to be agreed. However, it is expected to be below the 2 per cent of assets under management agreed in some recent fund management acquisitions. Also, payment is likely to be structured so that the final price is dependent on funds remaining under management following the expiry of the electricity pension schemes agreement to continue with ESN.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
								Dividends				
Arjo Wiggins	Yr to Dec 31	3,586	(2,915)	72♠	(217.1♠)	2.3	(17.9)	4.6	May 24	4.6	7.5	7.25
Clarke (T)	Yr to Dec 31	50.2	(45)	1.21L♠	(0.826)	7.02L	(4.1)	2.81	May 7	2.81	4.07	4.07
Conister Trust Φ	Yr to Dec 31	4	(3.24)	0.776♠	(0.251)	3.68	(1.26)	1.6	Apr 26	0.8	1.6	0.8
Conrad	6 mths to Dec 31	3.95	(2.32)	0.041	(0.061)	0.04	(0.07)	nil	-	nil	-	nil
Cookson	Yr to Dec 31	1,600	(1,567)	168.3♠	(51.1♠)	16†	(2.5)	4.5	May 30	3.8	a	7
Cortworth	Yr to Dec 31 ★	70.5	(58.3)	4.94	(2.15)	15.5	(7.2)	-	-	-	-	-
Fairway §	Yr to Dec 31	57.6	(49.8)	2.93♠	(2.91)	5.58	(6.16)	2.55	-	2.4	3.85	3.6
Galliford	6 mths to Dec 31	89.9	(108.9)	0.42	(0.943♥)	0.32	(0.71)	0.5	Apr 4	0.5	-	1
Gibbs & Dandy	Yr to Dec 31	27.4	(25)	1.09	(1.12)	9.7	(11.9)	2.1	May 10	1.8	3.5	3
GKN	Yr to Dec 31	3,305	(3,090)	322.4♠	(200.3♠)	53.9†	(28.3)	15.25	May 17	13.5	24	21.5
Herring Baker	Yr to Jan 31	6.3	(13.9)	1.3L♠	(7.7L♠)	7.69L	(45L)	-	-	-	-	-
Hillsdown	Yr to Dec 31	3,453	(4,262)	11.1L♠	(172.3)	6.6L	(14.5)	7.3	July 1	7	9.5	9.2
IMI	Yr to Dec 31	1,322	(1,161)	87.2♠	(50.3♠)	16.4	(6)	6.9	May 20	6.1	11.5	10.5
Indl Control	6 mths to Nov 30	32.3	(43.4)	2.12	(2.8)	3.66	(3.6)	1.5	May 3	1.5	-	3.6
Kode Intl	Yr to Dec 31	19.4	(24.6)	1.42	(9.12L♠)	9.9	(96.5L)	1	-	nil	1	nil
Ladbroke	Yr to Dec 31	3,848	(4,414)	95.4♠	(229.8L♠)	5.14	(26.47L)	3.6	June 3	3.6	6	6
Microvitec	Yr to Dec 31	55.1	(44.1)	3.41	(2.56)	3.1	(3)	0.45	July 1	0.4	0.85	0.4
More O'Ferrall	Yr to Dec 31	87.3	(73.8)	15	(9.53)	29.9	(16.6)	10.5	May 13	10	14	13.2
Mucklow (A&J)	6 mths to Dec 31	10	(11)	5.05	(5.25)	3.72	(3.91)	3.2374	July 1	3.1431	-	6.4747
North Midland	Yr to Dec 31	38.4	(24.4)	1.48	(0.353)	9.53	(2.42)	1.25	May 24	0.4	2	0.6
Ocean	Yr to Dec 31	1,131	(1,026)	32.9♠	(19.9♠)	10.4	(5.1)	9.62	June 3	9.62	14.33	14.33
Renishaw	6 mths to Dec 31	35.7	(27.4)	6.16	(4.37)	10.67	(5.06)	2.89	Apr 22	2.22*	-	6.41*
Rolls-Royce	Yr to Dec 31	3,597	(3,163)	175	(101)	10.25†	(6.56)	3	July 1	3	5	5
RTZ-CRA	Yr to Dec 31	5,155	(5,062)	1,424♠	(1,151)	58.4	(55.5)	21Ⓧ	Apr 22	18.5	31.5	27.5
Sanderson Bramall	Yr to Dec 31	516	(413)	9.29	(8.44♥)	20.09	(19.27)	2.67	May 1	2.3	3.3	4
Sun Alliance	Yr to Dec 31 ★	4,833□	(4,639□)	546.3♠	(347.4)	48.4	(30.8)	11.35	July 1	10.25	17.25	15.75
TeleWest	Yr to Dec 31	144.8	(72‡)	114.7L	(65.2L‡)	13.3L	(11L)	-	-	-	-	-
Tribune Newspapers ♣	6 mths to Dec 31	3	(3.41)	0.749L	(0.896L)	25.96L	(31.1L)	-	-	-	-	-
Virtuality	Yr to Dec 31 ★	12.8	(9.13)	0.565L	(1.4L)	2.1L	(5.3L)	-	-	-	-	-
Zeneca	Yr to Dec 31	4,898	(4,480)	619♠	(659♠)	35.6	(46.6)	19.75	May 7	17.75	31	28.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Group Dev Capital	Yr to Dec 31 #	58.13	(53.59)	1.03	(0.048L)	2.09	(0.12L)	1.17	May 31	0.33	1.58	0.33
Lloyds Smaller	Yr to Jan 31	141.4	(117.1)	0.952	(0.870)	3.88	(3.55)	2.05	May 3	1.9	3.85	3.65
Perpetual Japanese	6 mths to Jan 31	88.37	(87.08)	0.061L	(0.153L)	0.17L	(0.42L)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★ Comparatives restated. §USM stock. *After adjusting for scrip issue. ⓍIncludes Foreign Income Dividend of 13p (11.5p). □ Premium income. ΦAim stock. ‡Pro forma. ♣Irish currency. #Comparatives for 15 months.



ROLLS-ROYCE

Annual Results 1995

- **Profit before tax £175m (1994: £101m)**
- **Profit before disposal gains £143m (1994: £98m)**
- **Net cash balances £314m (1994: £285m)**
- **Order book remains strong, at £6.2bn (1994: £5.9bn)**
- **Sales per employee up by 15%**
- **Dividend maintained at 5p per share**

Sir Ralph Robins, Chairman, said:

"I have been encouraged by the company's performance in 1995. We have made significant progress in some of the most challenging markets in the world and at the same time improved our financial performance.

"Allison has been successfully integrated within the Rolls-Royce Aerospace Group and made an important contribution during the year.

"Rolls-Royce continues to strengthen its competitive position and is well-placed as a world-leading power systems company."

Group Profit and Loss Account

For the year ended December 31	1995 £m	1994 £m
Turnover - continuing operations	3210	3163
- acquisitions	387	–
	3597	3163
Operating profit	155	97
Profit before taxation	175	101
Taxation	(31)	(20)
Minority interests	(2)	–
Profit attributable to shareholders	142	81
Dividends	(73)	(61)
Transferred to reserves	69	20
Earnings per ordinary share	10.25p	6.56p

Group Balance Sheet & Cash Flow

	1995	1994
Net cash balances	314	285
Equity shareholders' funds	1345	1242

On March 24, 1995 the Group acquired Allison Engine Company, Inc. and on March 29, 1995 acquired the 60% of Rolls-Royce & Partners Finance Limited which it did not already own. All business acquisitions have been accounted for using acquisition accounting.

Profit before taxation for 1995 included profit on sale of businesses and property of £32m (1994: £3m) and a contribution of £33m from acquisitions.

The earnings per ordinary share for 1994 have been restated in accordance with Statement of Standard Accounting Practice No. 3 to reflect the bonus element of the "placing and open offer" announced in March 1995.

The recommended final dividend is 3p, making a total of 5p for the year. The final dividend is payable on July 1, 1996 to shareholders on the register on April 30, 1996. The ex-dividend date is April 22, 1996.

Rolls-Royce plc, 65 Buckingham Gate, London SW1E 6AT.

The comparative figures for the year to 31st December, 1994 have been abridged from the Group's accounts for that year, which have been delivered to the Registrar of Companies. The auditors have reported on those accounts: their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. Details can be obtained from the above address.

ROLLS ROYCE

COMPANY NEWS: UK

Tiny Rowland vows to go back into business

By David Wighton

Mr Tiny Rowland, the 78-year-old former chief executive of Lonrho, vowed yesterday to "start out all over again" after raising £91m from the sale of most of his shares in the international conglomerate.

"Don't think I'm going to retire. I've now got £450m in cash, I don't owe anyone a penny and I am going back into business."

He said he had been in touch with Sir Rocco Forte, who is raising money to buy former Forte hotels from Granada. But Sir Rocco's office said it was "as yet unaware of any offers of help from Mr Rowland".

Mr Rowland said he was examining other investment opportunities although some City bankers expressed doubts about his resources.

Analysts welcomed Mr Rowland's decision to sell, arguing that he had been a disruptive influence on Lonrho since being ousted from the board last year. There was speculation that it might clear the way for companies considering an offer for Lonrho's mining assets ahead of their planned demerger. Brokers believe several mining groups, including Anglo American of South Africa, are interested.

Lonrho confirmed that Mr Rowland had exercised his option to sell a near 6 per cent stake in the company to Mr Dieter Bock, the German financier who forced him off the board.

Mr Rowland said his decision to sell reflected his doubts about Lonrho's proposed merger of its platinum interests with Gencor's Impala Platinum. He aired his criticisms at last week's annual meeting and was disappointed by the lack of support from small shareholders.

"It was a very good thing we started 34 years ago but in my opinion there is no sex left in Lonrho," he said yesterday. He will retain 5m shares.

It is understood that Mr Bock, who already has an 18.6 per cent stake, intends to retain the 6 per cent stake he is buying from Mr Rowland. Under the terms of a put and call option agreement Mr Bock could have required Mr Rowland to sell the stake from December 9 last year. It is understood that he waited for the shares to be put to him.

Mr Bock paid 200.36p each for the 45.5m shares against yesterday's price of 192½p, down ½p.

US acquisition helps lift Rolls-Royce 73% to £175m

By Michael Skapinker, Aerospace Correspondent

Rolls-Royce yesterday announced annual pre-tax profits up 73 per cent to £175m ($269.5m) but underlined the uncertain state of the aircraft industry's recovery by proposing an unchanged dividend for the year of 5p.

The UK aero engine and industrial power group has benefited from the recent upturn in aircraft buying, winning orders in 1995 from Singapore Airlines and this year from Malaysia Airlines and the International Lease Finance Corporation of the US.

Rolls-Royce said it took 30 per cent of worldwide commercial aircraft engine orders in 1995, its best performance. The Rolls-Royce order book stood at £6.2bn at the end of 1995, compared with £5.9bn a year earlier. Further orders worth £1.4bn, including the Singapore, Malaysian and ILFC deals, are not included in the 1995 figure.

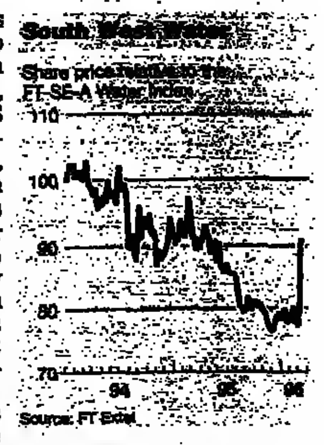
The Allison Engine Company of the US, which Rolls-Royce acquired in March last year, contributed £30m of profits.

The results for the year to December 31 were in line with expectations. The shares closed up 4½p at 215p. Analysts had expected the dividend to be unchanged. Rolls-Royce said its policy was for the dividend to be increased only when it was covered twice by earnings.

Sir Ralph Robins, chairman, said he believed the future of MTU, the German engine maker owned by Daimler-Benz Aerospace (Dasa), would best be secured by merging it with the BMW Rolls-Royce joint venture.

LEX COMMENT

UK water



Wessex Water has timed its bid for South West Water to perfection. With a chairman retiring, no chief executive, a finance director in the US and a string of public relations blunders to its name, SWW has been caught on the hop. Its shares have underperformed the sector by 22 per cent since 1994, so its shareholders may be easy to please. SWW could stretch to a 100p special dividend as a shareholder bribe. But it also has to address consumer interests. Since a chunk of merger synergies from any bid would be passed on to SWW consumers, who pay the highest water rates in the country, SWW management will be under pressure to secure a handsome agreed bid.

Wessex's shareholders have less to be happy about. It is one of the smaller water companies, and has an under-leveraged balance sheet which is not reflected in its share price. It looked like a potential bid target itself. Still, its management has a good record, and it is sticking to a business it understands. So long as the deal offers greater earnings enhancement than a share buy-back, shareholders should come round.

Clearly, the outcome of this bid-to-be will swing on the decisions of the Monopolies and Mergers Commission and the regulator. At least £30m a year of cost benefits should be achievable, and the regulator will want consumers to get a large bite of the pie. But if the regulator is too greedy, Wessex will walk away. And that would leave SWW vulnerable to a bidder from outside the water industry, which could avoid the MMC and keep any cost savings itself.

DIGEST

TeleWest secures funding

TeleWest, the UK's biggest cable group, yesterday announced it had secured a new £1.2bn borrowing facility to complete the construction of its network.

The group also ruled itself out of bidding for Videotron Holdings, the seventh largest operator, which was put up for sale last month by Videotron, its Canadian parent company.

Mr Alan Michels, chief executive, said TeleWest would not be used as a "stalking horse" to help Videotron to extract a higher price from Bell Cablemedia, in which Bell Canada holds a controlling interest, and which has a 27 per cent stake in Videotron Holdings and has a first option over the remainder.

Mr Michels also denied any knowledge of recent speculation that it might be interested in acquiring Nynex, the second largest cable group.

His remarks came as TeleWest unveiled sharp increases in 1995 losses and revenues. Pre-tax losses soared to £114.7m (£10.9m) after interest charges of £34.4m (£1.02m).

Mr Michels forecast that TeleWest would become cash flow positive during 1996, joining General Cable and Videotron out of the 12 cable operators to achieve the feat.

TeleWest's latest bank facility will be a syndicated loan spread over 9.5 years. The group extended its network from 35 to 53 per cent of its 4.7m-home franchise areas during the year. Capital expenditure of £269m during the year took the group's total outlay to nearly £2bn.

Christopher Price

Non-motor side helps GKN

Shares in GKN yesterday rose 31p to 873p after the motor components, defence equipment and industrial distribution group reported a 61 per cent increase in 1995 profits.

In spite of softening demand in the vehicle industry, strong gains by the group's aerospace and pallet hire businesses helped lift pre-tax profits from £200.3m to £322.4m ($496.5m).

Sir David Lees, chairman, said it was a creditable result given the sluggish state of the automotive sector. "US and European demand trailed off in the second half and some 70 per cent of our growth was in non-automotive areas."

GKN predicted vehicle production in Britain would grow by no more than 2 per cent this year, and would not grow at all in North America.

The sharpest improvement was achieved in aerospace and special vehicles, where increased helicopter deliveries and accelerating armoured vehicle production for Kuwait helped more than double profits to £65m.

Tim Burt

RTZ-CRA up 42% to $2.47bn

Higher metal prices and increased sales volumes helped RTZ-CRA, the Anglo-Australian international mining group, lift profit before tax and exceptionals charges last year by 42 per cent to $2.47bn, writes Kenneth Gooding.

Mr Bob Wilson, chief executive, reporting the first combined figures since the merger in December, said the group was capable of earning more and would do so in 1996. Nevertheless, its shares in London fell by 19p to 918p. Analysts suggested earnings growth would slow in 1996 before picking up in future years.

Mr Wilson said the global economy and demand for metals and minerals could be expected to expand gradually this year.

He said projects worth $5bn were in the pipeline and last year exploration spending increased to $317m before tax.

Profits would have been higher but for problems at the Escondida mine in Chile, difficulties at the Kennecott copper smelter in the US and industrial disputes in Australia.

هكذا من الأجل

Anglovaal Limited

Reg. No 05/04520/06
(Incorporated in the Republic of South Africa)

Interim report and dividend announcement for the half-year ended 31 December 1995

Group income statement

	Reviewed Half-year ended 31 December 1995 Rm	Unaudited Half-year ended 31 December 1994 Rm	Increase/ (Decrease) %	Audited Year ended 30 June 1995 Rm
Turnover	7 569,7	8 633,8	14	13 900,3
Operating profit before depreciation	648,3	614,0	8	1 237,8
Depreciation	144,1	117,8	22	246,2
Operating profit	504,2	496,1	2	991,8
Income from investments	11,0	20,8	(47)	24,8
Profit before taxation	515,2	517,0	—	1 018,4
Taxation	160,7	155,1	4	271,7
Profit after taxation	354,5	361,9	(2)	744,7
Equity accounted earnings	107,5	59,1	82	127,2
Profit after taxation including equity accounted earnings	462,0	421,0	10	871,8
Attributable to outside shareholders of subsidiaries	223,6	208,1	7	450,7
Earnings before exceptional items	238,4	212,8	12	421,2
Exceptional items	26,8	(1,7)		(67,4)
Earnings after exceptional items	265,2	211,2	26	353,8
Earnings per share				
– before exceptional items (cents)	377	337	12	667
– after exceptional items (cents)	420	335	25	561
Dividends per share (cents)	47	42	12	148
Number of shares on which earnings per share is based (000)	63 208	63 100		63 112

Group balance sheet

	Reviewed 31 December 1995 Rm	Unaudited 31 December 1994 Rm	Audited 30 June 1995 Rm
Capital employed			
Shareholders' interest	3 736,5	3 124,7	3 497,8
Outside shareholders' interest in subsidiaries	3 072,8	2 415,7	2 859,4
Total shareholders' interest	6 809,3	5 540,4	6 357,3
Debt capital	200,8	200,6	200,6
Deferred taxation	74,8	95,1	62,0
Long-term borrowings	552,3	476,5	574,7
	7 637,0	6 312,6	7 194,8
Employment of capital			
Fixed assets	3 017,1	2 104,1	2 885,0
Investments	1 922,5	1 812,0	1 863,8
– associated companies and mining subsidiaries	1 642,3	1 474,5	1 593,7
– listed	109,1	101,3	105,1
– unlisted	171,1	236,2	165,0
Loans and long-term debtors	119,5	148,3	118,2
Net current assets	2 577,9	2 248,2	2 327,6
Current assets	5 404,3	4 934,2	5 318,5
– Inventories and debtors	4 185,1	3 574,3	3 879,5
– deposits and cash	1 219,2	1 359,9	1 439,0
Current liabilities	2 826,4	2 686,0	2 990,9
– interest bearing	602,4	361,2	382,8
– other	2 224,0	2 324,8	2 608,0
	7 637,0	6 312,6	7 194,8
Listed investments, associated companies and mining subsidiaries			
– carrying value	1 302,8	1 167,5	1 259,2
– market value	3 578,1	3 574,0	3 040,1

	Reviewed Half-year ended 31 December 1995 Rm	%	Unaudited Half-year ended 31 December 1994 Rm	%	Audited Year ended 30 June 1995 Rm	%
Composition of earnings before exceptional items						
Industrial	164,0	69	149,2	70	312,1	74
Anglovaal Industries Limited	153,8	65	138,2	65	293,5	70
Anglovaal direct investment in National Brands Limited	10,2	4	11,0	5	18,6	4
Mining	61,7	26	46,7	22	90,5	22
The Associated Manganese Mines of South Africa Limited	33,5	14	11,0	5	16,3	4
Middle Witwatersrand (Western Areas) Limited	19,1	8	26,8	13	40,7	10
Anglovaal direct investments – other	8,1	4	8,8	4	33,5	8
Net interest and other	12,7	5	17,0	8	18,6	4
Earnings	238,4	100	212,9	100	421,2	100

	Reviewed 31 December 1995 Rm	%	Unaudited 31 December 1994 Rm	%	Audited 30 June 1995 Rm	%
Net worth calculation*						
Industrial	6 178,7	56	5 612,0	57	5 772,8	61
Anglovaal Industries Limited	5 878,0	53	5 311,3	54	5 472,1	58
Anglovaal direct investment in National Brands Limited	300,7	3	300,7	3	300,7	3
Mining	4 510,7	41	4 051,9	41	3 410,3	36
Anglovaal direct investments	1 998,1	18	2 104,5	21	1 809,1	19
Middle Witwatersrand (Western Areas) Limited	2 512,6	23	1 947,4	20	1 601,2	17
Other	192,6	2	106,9	1	174,3	2
Total investment portfolio	10 882,0	99	9 770,8	99	9 357,4	99
Other net assets	89,5	1	48,6	1	25,9	1
Net worth attributable to shareholders	10 971,5	100	9 819,4	100	9 383,3	100
Net worth per share (rand)	172		154		147	

*Listed investments are stated at market value and unlisted investments at cost or directors' valuation.

Comment

Group results

Group earnings before exceptional items for the six months to 31 December 1995 increased by 12 per cent to R238,4 million from the R212,9 million in the comparable period. The interim dividend has been increased by 12 per cent to 47 cents (1994: 42 cents) per share.

Anglovaal Industries Limited (AVI) remained the principal contributor with earnings before exceptional items increasing by 11 per cent. In addition, **The Associated Manganese Mines of South Africa Limited** recorded substantially improved profits, and a higher royalty was received from De Beers Consolidated Mines Limited (De Beers) in respect of the Venetia Diamond Mine. The contribution from realisation of portfolio investments of 33 cents per share made in the six months to 31 December 1994 has not been repeated.

Industrial interests

Group industrial companies experienced difficult trading conditions during the six months period, particularly in the July to September quarter. Consumer spending was depressed in many served markets and increased competition placed additional pressure on margins in some sectors. Increased profits were recorded by Consol Limited, Grinaker Holdings Limited, the engineering sector comprising Beering Man Limited and Trident Steel (Pty) Limited and by associated company, Anglo-Alpha Limited, which has now changed its name to Alpha Limited. Profits of Avtex Limited declined as a result of a slow-down in retail sales, exacerbated by increased unregulated and illegal imports, and Irvin & Johnson Limited reported earnings sharply down as a result of poor fishing conditions and the lower availability of contract distributed chicken product. Earnings at National Brands Limited also decreased due to severe pressure on margins.

The businesses within AVI are facing considerable threats from cheap, often illegal imports, and from the re-entry into South Africa of foreign-owned multinationals with aggressive pricing strategies in pursuit of market shares. Group companies continue to give urgent attention to programmes to achieve international levels of competitiveness.

Mining interests

Earnings from mining sources improved sharply from those of the comparable period.

On 31 August 1995, a half-yearly royalty payment of R58,4 million (1994: R31,8 million) was received from De Beers. This increase can be attributed largely to the delivery of additional rough diamonds by the Venetia Diamond Mine to the Central Selling Organisation in the first half of 1995. The royalty received amounted to 12,5 per cent of the mine's profits before appropriations for capital expenditure.

De Beers indicated at the time of the payment that diamond sales for the second half of 1995 would not match those of the first half. On the basis of information received from De Beers at the time, it was anticipated that the point at which De Beers would recoup the capital expended to bring the mine into production, plus interest thereon, would be reached by December 1995 which in fact happened. After this point, Saturn Mining, Prospecting & Development Company (Pty) Limited and De Beers share equally the profits of Venetia.

On 29 February 1996 a royalty payment of R107,9 million (1995: R18,8 million) was received.

Earnings for the period to 31 December 1995 of the Group's 50,2 per cent held subsidiary, The Associated Manganese Mines of South Africa Limited, increased by 188 per cent from R24,4 million to R70,2 million, largely as a result of the substantially higher price of ferro-chrome received during the period by its subsidiary, Feralloys Limited. The recent reduction in ferro-chrome prices will adversely affect Feralloys' results for the second half of the year.

Improved earnings were also recorded by the Group's andalusite and chrome interests.

The performance of the Group's investments in the gold sector was disappointing as a result of stagnant rand gold prices prevailing in the period, and the failure to meet production targets. Incidents of abnormal industrial unrest affected some operations.

New projects

At **Target Exploration Company Limited**, underground development from the neighbouring Loraine Gold Mines, Limited had reached the boundary by the year end and underground exploration drilling commenced in early 1996. Completion of the twin development declines will take longer than was envisaged, due to revisions in the interpretation of the geological structure, and the identification of extensions to the gold-bearing fan and allowance for further areas of poor ground and water intersections. It is now expected that the project will be completed eighteen months later than originally planned. Funds available are considered sufficient to complete the exploration phase and to commence preparations for the subsequent exploitation of the area. The underground drilling and analysis will be completed in 1998, after which a decision on the mining strategy to be adopted will be taken.

Expenditure by Target on the project in the half-year under review was R22,4 million. Expenditure for the full financial year to 30 June 1996 is estimated at R48,8 million.

Bulk samples of the ore bodies at the **Nkomati** nickel and cobalt prospect are in the process of being extracted and processed. Each of the three bulk samples are being processed separately to compare the actual plant results with those results achieved through laboratory bench scale test work with respect to metallurgical efficiencies and process identification. This part of the programme will be completed in the first half of 1996.

The concentrates produced are to be used to conduct detailed smelting and refining test work. The results of these investigations will determine the most appropriate metallurgical route to follow in the exploitation of the resource.

Expenditure of R20,7 million (1994: R21,5 million) during the half-year to 31 December 1995 on the Nkomati project was within budget. It is expected that a further R41 million will be spent on the project in the course of calendar year 1996 in order to complete all aspects of the final mine feasibility study. At that point, a total of approximately R130 million will have been expended on the project. This final total exceeds the estimate of R80 million to be spent over three years that was published in September 1993 and is due in the main to the addition to the project of the Uitkomst property and additional work undertaken on the possible development of the Massive Sulphide Body (MSB) which were not contemplated in the original plan. The joint venture partners have now agreed to proceed with the immediate exploitation of the MSB and members are referred to a statement in this regard published in the press on 7 March 1996.

Forzando Coal Mines (Pty) Limited has made good progress in the development of its coal deposit near Bethal. A decision on whether to proceed with an enlarged mine, with production of up to 2 million sales tons per annum, at a total capital cost of approximately R350 million, will be made in the next few months. Detailed studies are presently underway.

The Group continued to contribute to expenditure on exploration activities on areas held under exclusive prospecting licences in Namibia and Zambia. These activities include airborne and ground geophysical surveys, geochemical surveys and reconnaissance diamond drilling on selected base metal anomalies and occurrences. Tha Group also continued to contribute to expenditure on geological research to identify target areas with mineral potential elsewhere in Africa.

Exploration expenditura by tha Group and its partners, including the acquistion of minerel rights and ancillary costs, amounted to R69,0 million (1994: R58,7 million) for the half-year period. It is expected that expenditure for tha half-year to 30 June 1996 will be at a similar level to that of the period to 31 December 1995.

Prospects for year

Tha Group is budgeting for increased earnings for the year to 30 June 1996.

Exceptional items

Exceptional items consist of the following:

	Half-year ended 31 December 1995 Rm	Half-year ended 31 December 1994 Rm
Net surplus on disposal of investments, subsidiaries and properties	59,5	6,4
Goodwill written off	(4,7)	(14,4)
Other, including restructuring costs	(5,3)	(2,9)
	49,5	(10,9)
Attributabla taxation credit	0,1	–
Attributable to outside shareholders (1994: credit)	(22,8)	9,2
	26,8	(1,7)

Investments

During tha half-year anded 31 December 1995, tha Anglovaal Industries Limited group disposad of its entira interests in associated companies, Control Instrumants Group Limited end Gearmax (Pty) Limited. A capital surplus totalling R48,2 million arose on these transactions and is included in exceptional items.

Capital expenditure

The capital expenditure of the Group was as follows:

	Half-year ended 31 December 1995 Rm	Half-year ended 31 December 1994 Rm
To maintain operations	170,3	139,0
To expand operations	123,9	85,1
	294,2	224,1
Commitments for futura capital expenditure		
Contracted for	228,4	186,2
Authorised, but not contracted for	141,7	102,5
	370,1	288,7

Commitments and contingent liabilities

At 31 December 1995, commitments amounted to R10,3 million (1994: R76,9 million). Contingant liabilities amountad to R45,9 million (1994: R42,9 million).

Cartain Group companies enterad into forward axchange contracts in tha normal course of business.

Comparative figures

Items previously regarded as extraordinary have now been reclassified as exceptional items and reflected as such in tha Group income statement. The results for the half-year ended 31 December 1994 and the year ended 30 June 1995 have been restated accordingly.

The Group balance sheet at 31 December 1994 has been restated to raflect the change in accounting policy relating to accounting for goodwill arising on acquisitions which was effective 1 July 1994. The affect of this is a reduction of R560,7 million in tha fixed assats previously reported at 31 December 1994, with corresponding reductions of R227,9 million in shareholders' interest and R332,8 million in outside shareholders' interest in subsidiaries. This change had no affect on earnings for the six months ended 31 December 1994.

Review by the independent auditors

The financial informetion set out herein has been reviewed, but not eudited, by Ernst & Young end KPMG, who have issued an unqualified review report.

Interim dividend declaration

Notice is hereby given that interim ordinary dividend No. 100 of 47 cents per ahare and interim N ordinary dividend No. 12 of 47 cents per share have today been declared payable to holders of ordinery end N ordinery sheras, salient dates related to the declaration being as follows:

	1996
Last day to register for dividends and for change of address or dividand instructions	Friday, 22 March
Period during which transfer books and registers of mambers will be closed (both days inclusive) to determina which members qualify for the dividends	Saturday, 23 to Friday, 29 March
Currency conversion date for sterling payments to shareholders paid from London	Monday, 1 April
Dividend warrants posted/dividends electronically transferred	Friday, 19 April

The dividands are paid subject to conditions which can be inspected at the registered office or ths office of the London secretaries of the Company.

For and on behalf of the board

B E Hersov *Chairman*
Clive S Menell *Deputy Chairman*

7 March 1996

Registered office
Anglovaal House
56 Main Street
2001 Johannesburg
South Africa

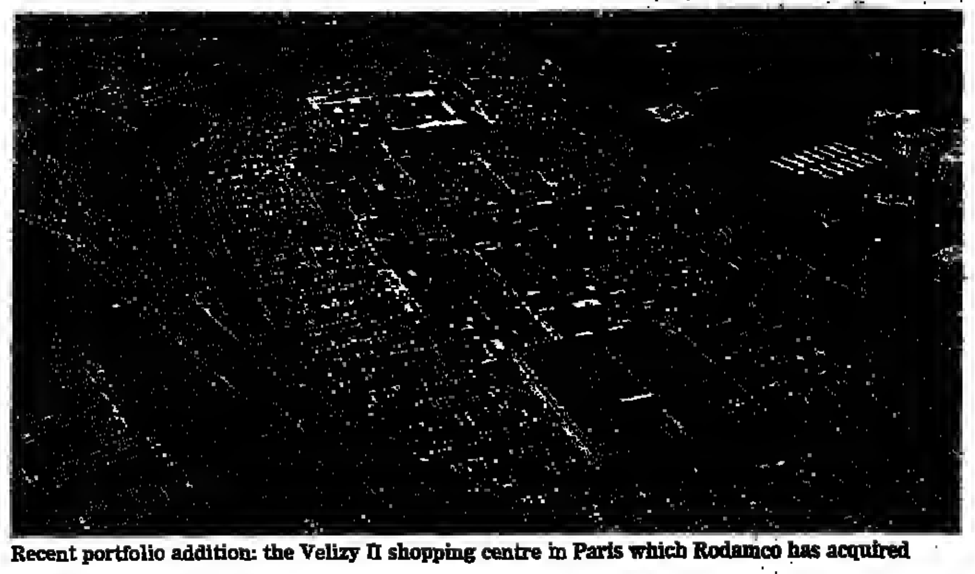
London secretaries
Anglovaal Trustees Limited
33 Davies Street
London, W1Y 1FN
United Kingdom

Directors: S E Hersov DMS, Hon. LL.D *(Chairman)*, Clive S Menell *(Deputy Chairman)*, D O Barber, S L Bernstein Hon. LL.D, J J Geldenhuys, J R Hersov, Dr E J Mabuza, R P Menell, J C Robbertze, R S Savage, R T Swemmer, R A O Wilson

THE PROPERTY MARKET

A global investor's progress

Simon London on a Dutch group's strategy of expanding through ventures with local partners



Recent portfolio addition: the Velizy II shopping centre in Paris which Rodamco has acquired

Most property investors regard real estate as primarily a local business, best practised by those with extensive local knowledge and contacts. Rodamco, the Dutch property company, is trying to prove conventional wisdom wrong by operating on a global scale.

Following rapid expansion over the past three years, the company's investment portfolio is now valued at about Fl 8bn ($4.8bn), with assets spread across western Europe, North America and Asia.

Mr Andrew Walker, property analyst at Paribas Capital Markets, says: "With other property companies reducing their spread of assets worldwide, Rodamco is now the only truly international liquid property company."

The development of Rodamco into a global investor has not been entirely smooth since its creation in 1979. Progress in the early years was slow as the Robeco Group, which had hitherto specialised in bonds and equities, assembled a team of property managers.

An extensive development programme planned in the late 1980s left Rodamco with empty buildings at a time of very weak tenant demand. The darkest hour came in 1990, when Rodamco was forced to abandon its open-ended structure because so many investors were withdrawing cash.

However, the mid-1990s finds Rodamco in a confident mood. Strategic direction has changed, with less emphasis on development and an increased weighting in favour of retail property. About 60 per cent of the portfolio is now in retail.

The company has also become an active participant in the emerging markets of east Asia. It aims to have one quarter of its portfolio invested in these areas and already has Fl 1.2bn committed to the region, from Australia to Singapore to Thailand.

The fruits of this eastward expansion were evident from this week's financial results. Rodamco's European properties declined in value by 1.1 per cent during 1995; its US properties increased in value by only 1.4 per cent; while its Pacific assets advanced by 6.4 per cent.

But Rodamco is not only expanding in Asia. During 1994 and 1995, the company invested a net Fl 1.4bn in Europe. Big shopping centres have been favoured targets, with acquisitions in France, Spain and Germany.

Expansion has been funded partly with debt, reversing a long-standing policy of not gearing shareholders' funds. A recent $500m bond issue, bringing gearing to 14 per cent, underlined this change of tack.

Yet for all its corporate trappings, Rodamco retains the tax advantages of a fund. Its tax charge is little more than 2 per cent, which makes it a good vehicle for Dutch pension funds – many of which are switching out of direct ownership of buildings.

"We will never be a highly leveraged company. It is not what the shareholders want," says Mr Wim Dijkema, chief financial officer.

This week's figures were a mixed bag. Net profit declined marginally, reflecting the adverse impact on investment income of lower interest rates. The acid test of Rodamco's international strategy is whether it can keep pace, in the long term, with investors in each local market.

Too often in recent history, cross-border investors have ended up buying the wrong buildings at the wrong point in the cycle, usually to the delight of their local rivals.

Rodamco's recipe for avoiding similar pitfalls is to use joint ventures with established local partners combined with a network of overseas offices.

"We invest alongside first-class local partners, with equal risk-sharing wherever possible. We also use our local offices as our eyes and ears," says Mr Dijkema.

One advantage of this approach is that Rodamco itself has remained a relatively small organisation. Today it employs 140 people, including administrative staff.

The potential risk is that Rodamco does not have 100 per cent control over many of its assets, especially in North America and Asia. This could be dangerous unless relationships with partners are maintained at a wholly cordial level.

Rodamco believes it can outperform purely local investors by taking an overview of world markets and allocating capital where the growth prospects are brightest.

The company sets benchmarks for each country, demanding an investment return of at least 100 basis points – and usually much more – above government bond yields. Each investment is reviewed annually to see whether it is likely to exceed the benchmark which has been set.

Investments which do not pass the test are sold. For example, Rodamco has sold two of its office investments in Germany over the past year, taking the view that property yields are too low to deliver the required premium over government bonds.

But in spite of its international spread of assets, Rodamco's shareholders remain almost exclusively Dutch. This is something which will have to change if the company has truly global ambitions.

The obvious answer is to list the shares of Rodamco NV, the main holding company, on overseas stock markets. The company's decentralised structure may also allow for a series of sector or country funds which could be listed separately from the holding company.

Rodamco Retail Nederland, which was launched two years ago and is listed in Amsterdam, could point the way forward in this regard.

The launch of further specialist funds would please investors who remain sceptical about the ability of any property company to manage a global portfolio.

Meanwhile shares in the holding company would be available for fund managers who, like Rodamco, want property exposure worldwide.

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Please ensure that your details arrive no later than March 29, 1996

BEI EIB

European Investment Bank

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Economists (m/f)

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For further details, contact Ms Daphne Venturas on +352 4379 3438.

Qualifications: PhD degree in economics with a strong quantitative background. The ability to work in a team and to tight deadlines is required. Good writing and presentation skills are essential. The suitable candidate would be recruited at a junior level if he/she has no professional experience or at a more senior level if he/she has acquired such experience.

Languages: Perfect knowledge of English or French and good knowledge of the other. Working knowledge of other Community languages would be an advantage.

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Applications will be treated in the strictest confidence and will not be returned.

The Bank regrets that it can only acknowledge receipt of those applications which meet the requirements for this position.

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You will be educated to a degree standard with at least seven years' experience in the UK/European market in a similar or related role with a consultant or leading financial institution, and preferably with a minimum of two years' management experience. You will be a highly motivated individual who thrives in a challenging environment. You will have a high level of proficiency in mathematics and statistics, strong organisational and analytical skills together with excellent interpersonal and management skills.

This position offers a challenging career opportunity to the right individual. The rewards and benefits will be commensurate with our status as a major global player in the financial services market.

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MORGAN STANLEY

RECRUITMENT

JOBS: Technology is driving convergence between secretarial and managerial roles

Towards new images of work

Have you ever been working at a computer terminal when it breaks down? What do you do? Perhaps you call the switchboard because this does not happen to you every day.

Very soon a man appears – a technician. There is a slight chance it could be a woman but it is almost always a man. He is wearing a shirt and tie and carrying a case in which he has screwdrivers and pliers. He asks you some questions rather like a doctor asking a patient where it hurts.

You and your terminal are completely in his hands. He carries out the repair and disappears into that mysterious place where technicians live. So where does he fit into the scheme of things? Is he a worker or a manager?

Professor Stephen Barley of Stanford University says in a naw paper, *The New World of Work*, published by the British-North American Committee, that we have become conditioned to "western images of work rooted in several fundamental polarities: mental/manual, clean/dirty, educated/uneducated, white collar/blue collar, manager/worker".

"The first and last term of each polarity," he writea, "anchors the upper and lower end of a system of status and prestige."

Our images are confused by the computer technician who carries tools like a manual worker but wears a tie like a manager and talks and thinks like the specialist he is.

Is the technician, along with the professional, about to inherit the Earth? If they are, there seems to be little evidence of company managements allowing it to happen. Few managements appear to possess technical expertise in compnter systems, yet almost all are making decisions about installing or upgrading computer systems in their businesses. How long can this continue?

Barley argues that the job of technician, traditionally a hnmble role not highly rewarded, is growing increasingly important across the globe with the expansion of science and technology. He quotes research by the US science historian, Derek J. de Solla Price, into the exponential expansion of scientific knowledge since the 17th century. Price observed that 90 per cent of all scientists who have ever lived are alive today.

Barley is joining those futurologists who believe we are entering a new industrial age which is fundamentally altering the organisation of work. As previous columns have noted, it is a controversial area lacking strong empirical evidence.

Some academics have criticised such predictions, arguing that they are often too influenced by trips to Silicon Valley and anecdotal experience. That said, there can be little argument that computers are having an ever-increasing influence on our lives. The systems which run them are attracting an army of skilled, often self-employed people, whose terms are either negotiated individually or by a sourcing agency.

Jobs such as programmer, systems analyst, operations researcher, computer operator and computer repair technician are among the fastest growing, says Barley, who notes that in north America alone they are expected to provide employment for 2.3m people, or 1.6 per cent of its labour force, by the millennium.

He discusses their impact on managerial and secretarial jobs, suggesting that much management will take on a co-ordinating role hetween teams of professionals. A study of secretaries at Cornell University found that the spread of personal computers was changing the nature of a secretarial job into that of an administrative or research assistant.

In those circumstances, it may be perceived that the definitions of secretarial and management work are beginning to merge, yet there remains, in most cases, a large gulf between the reward, status and qualifications for the two jobs.

Barley predicts that the technological revolution will produce a more horizontal division of labour, with significant consequences for management. He writes: "Management's traditional source of legitimacy will hegin to wane. Unless managers ara technically trained, their claims to be arbiters of technical issues will ring increaaingly hollow to employees. Preliminary research suggests that technical workers widely believe executives to be out of touch with the work of the organisations they head."

Barley adds: "The likelihood is that managers, unahle to make knowledgeable decisions autocratically, will find themselves relegated to the important but less heady role of co-ordination."

Having said this, he does not deny that managerial hierarchy and technical expertise can work hand in hand, citing the balance achieved by the military.

His observations do not take account of the spread of technical work, particularly of computer data processing, to the emerging nations of Asia. The mobility of much computer work, which can be transmitted in seconds across the world, is bound to have an impact on labour costs, while the ability to skills-source globally will surely remain in the domain of management.

Barley argues, nevertheless, that schools and colleges may need to re-orient the career aspirations of children, upgrading the importance of a technical career.

The New World of Work is published by British-North American Research Association (UK), Grosvenor Gardens House, 35-37 Grosvenor Gardens, London SW1W OBS, tel 0171 828 6644, price £10. Copies in the US can be obtained from the National Planning Institution, tel 202 884 7623, price $15.

Foreign climes

The prospect of a foreign assignment is not only something to which many employees aspire, it is increasingly viewed as an essential ingredient in any career path towards top management.

But that foreign posting, when it comes along, may not be as attractive as in the mind'a eye. Before accepting it, it would be worthwhile examining whether your prospective working conditions have been taken into consideration when producing the overall package.

Many companies do accept that assignments can offer variahle employment and living conditions and will adjust their reward packages or location allowances accordingly. They may take an ad hoc view or use consultants' advice or do both.

ECA International produces a ranking system which recognises that different nationalities have different views of various expatriate assignments. It awards points for such criteria as climate, health, language and culture, goods and services, isolation, aocial network and leisure, housing and education, personal safety and socio-political tensions.

These rank locations into six categories, starting with rank A for the most attractive and F for the least attractive location. Among western European expatriates, the postings attracting the least hardship tend to be in their own European neighbourhood, with the addition of the US (New York), Australia, New Zealand and the Netherlands Antilles.

Hong Kong, Malaysia, Singapore and some of the Gulf States are in category B. Dubai gets the same ranking but its neighbouring emirate, Abu Dhabi, is in the C list with Japan, a number of central European countries such as Hungary and the Czech Republic, and some South American and African nations such as Chile and Swaziland.

India, Latvia, Turkey and Cuba are among a long list of countries in category D, while China, Pakistan, Iran, Uganda are in category E. The last ranking, F, is reserved for just four countries: Algerla, Angola, Rwanda and Zaire.

Countries which have changed rankings in the past year due to deteriorating conditions include Japan, Bulgaria, Malawi, Russia, Venezuala and Zaire. Those that improved their ranking are Kuwait, Netherlands Antilles, Peru and Sudan.

Report available to ECA subscribers, tel 0171 351 5000.

Richard Donkin

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Age:	Ideally late 20's to early 30's
Academic Qualifications:	A good degree in Economics
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Interested candidates should send a CV and covering letter to Samantha Pollock, Office of Development, Morgan Stanley UK Group, 25 Cabot Square, Canary Wharf, London E14 4QA. Applications should be clearly marked 'Ref: Editor/Research' and should arrive no later than March 15, 1996.

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- *creative leadership with business maturity*

This is a high visibility role which will provide a superb springboard for further career advancement.

To be considered for this position, please send your CV to our Advising Consultant, Marion Radford at CTA International Search and Selection, Staverton House, 3-5 Easthampstead Road, Wokingham, Berkshire RG40 2EH, Tel: 01734 771100 Fax: 01734 771223, quoting reference: MR/1080.

CTA
International Search & Selection

Director of Finance

Healthcare Sector

£55–60,000 + Benefits **East Midlands**

Board level position with responsibility for leading customer-focused finance function in demanding environment.

THE TRUST

- Well established, highly regarded NHS Trust. Over £100m annual income, c.1300 beds.
- Wide-ranging, clinical healthcare services provider. Centre of excellence in teaching and academic research.
- Attractive campus. Professional, friendly environment. Forward-thinking management team.

THE POSITION

- Report to Chief Executive. Bring clarity and leadership to finance function. Contribute to corporate policy and strategy.
- Improve cost-effectiveness, service levels and competitiveness. Review and improve operating procedures.
- Build strong working relationships with clinicians. Provide advice. Add value.

QUALIFICATIONS

- Accountancy qualification. Probably a graduate. Senior level experience gained in complex £50+ million organisation in NHS, public or private sector.
- Rigorous financial technique with customer-oriented approach. Able to establish credibility at all levels. Exceptional listening and communication skills.
- Team player. Resourceful, can work effectively under pressure. Sound judgement. Ability to prioritise issues and deliver results.

Please send full cv, stating salary, ref BI60205, to NBS, Berwick House, 35 Livery Street, Birmingham B3 2PB

N B SELECTION LTD
a BNB Resources plc company

NBS

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Boston Scientific is a worldwide developer, manufacturer and marketer of medical devices. The Company's products are used in a broad range of minimally interventional medical specialities.

As a result of new acquisitions and the broadening and consolidation of existing franchises, we have changed ourselves into a truly global enterprise, strengthening our financial position (worldwide turnover exceeding US$ 1 billion) and retaining our focus on our customers.

FINANCIAL PLANNING & ANALYSIS MANAGER
Paris

At our European Headquarters near Paris, we now need an exceptional Financial Planning and Analysis Manager. In this newly created position you will be reporting to the Vice President of Finance, Europe and work in close collaboration with the Vice President and Marketing Director of SciMed (our Cardiology Division).

You will take responsibility for the financial planning, budget forecasts and analysis of the group's European activities and the preparation of the annual budget. Key activities will include the preparation of monthly business reports for each country and the whole of Europe, analysing and interpreting operating variances, investment analysis and coordinating monthly forecasts. Additionally, you will undertake a number of specific financial analyses.

Finally, you will prepare presentation schedules for executive meetings and take a crucial part in the decisions and recommendations relating to price setting and the allocation and forecasting of resources.

Ideally you will be a graduate, qualified Accountant or MBA with 3-5 years' minimum post-qualification experience gained within a multinational environment, preferably in healthcare, manufacturing or a high-technology environment.

Fluent in a second European language, you should have good written and oral communication skills and be PC literate. Analytical, outgoing and articulate, you have a hands-on approach and show initiative, adaptability and resourcefulness.

Please send your career details, quoting ref: KFF6/95150, to Boston Scientific Corporation, Immeuble Vision Défense, 91 Boulevard National, F-92257 la Garenne Colombes, France. Alternatively you can fax your details to us on (00 33 1) 46 49 66 99.

Boston Scientific Corporation

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c.£60,000 package + benefits *World Class Manufacturing* *M3 Corridor*

Finance Director

Challenging remit within a profitable £20m turnover international market-leading business which operates in a highly autonomous fashion within one of the UK's most respected and successful quoted electronics and engineering groups. The key challenge is to provide first-class financial management and business appraisal to ensure that an ambitious but realistic international expansion programme is effectively delivered.

THE ROLE

- Reporting to the MD, providing an authoritative and timely financial management and control service, supported by an established team, to drive cost reduction programmes and facilitate planned international growth.
- Developing and leading the accounts teams, both in the UK and overseas, ensuring tight group reporting is maintained whilst implementing a new fully integrated system.
- Progressively contributing to strategic management, evaluating new business opportunities and the integration of potential acquisitions.

THE QUALIFICATIONS

- Robust and energetic accountant, aged 30+ with first-class costing, management reporting and IT skills honed in an international world-class manufacturer.
- Ambitious and tenacious leader with strong inter-personal skills. Team player with affinity to bespoke high-quality manufacturing processes.
- Disciplined analyst and negotiator able to evaluate business development opportunities and allocate resources. Capable of assuming a broader management role in due course.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. [illegible], 16 Connaught Place, London W2 2ED

FINANCE DIRECTOR

Exciting Profitable Growth

Central London

c£65,000, Car, Benefits

Our client, a profitable and rapidly growing company with a current turnover c£40m, as well as a well-respected name in its highly competitive market, now seeks to make this key appointment.

Specific responsibilities will include:

- Effective management and development of all aspects of the finance function.
- Practical input on day-to-day operational activities.
- Commercial analysis and advice to assist in driving the business forward.
- Staff leadership and motivation.

Commercial skills and personal qualities are the essential ingredients for the qualified accountant, with a broad financial background, to succeed in this role. In addition to strong technical knowledge you must demonstrate a truly common sense approach to business analysis and development. You must possess a good track of real achievement and contribution and be personally credible to your peer group as well as to your staff. Likewise you must demonstrate realistic entrepreneurial flair in addition to an ability to isolate key, immediate issues. The challenge of the role is substantial, varied and demanding, but the opportunity and potential are equally great.

Interested candidates should write with full CV, quoting current rewards package, to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000. Fax: 0171 405 5995 quoting ref: HKW/16143/FT.

Hoggett Bowers

THE PSD GROUP

Outstanding Opportunities in European Corporate Finance

Highly Attractive Package

UBS is one of the world's largest banks and is a growing force in integrated investment banking. As one of only three AAA-rated financial institutions in the world and the largest Swiss Bank, we are strong in corporate finance, a dominant European equity house, and one of the top lead managers on the issuance of bonds, equities and international syndicated loans. UBS is now poised to realise its objective of becoming a market leader in global investment banking and to do this we must attract and develop the very best people.

Consistently ranked as a top European adviser, UBS offers strategic and tactical advice on mergers, acquisitions and capital raising. Recent high profile transactions include the Forte defence, Preussag's successful bid for Elco and leading the adidas, Merck and Clariant IPOs. Increasing business volumes have resulted in a requirement for a number of talented individuals to join our European Corporate Finance Division.

Candidates will fall into one of the following categories:

- **Recently qualified ACAs, MBAs from leading business schools, strategy consultants or graduates from competitor institutions with 2-3 years' corporate finance transaction experience;**

or

- **Individuals with the above professional qualifications or backgrounds, and an additional 2-3 years' transaction experience gained in either a rival institution or strategy consultancy.**

At both levels, applications are also invited from individuals working within the analytical or strategic functions of 'Blue Chip'/Multinational companies with emphasis on the following sectors: telecommunications, financial institutions, electrical utilities, chemicals, oil and gas, pharmaceuticals, paper and packaging, automotive engineering, hotels and leisure, transport and consumer goods.

All applicants should exhibit strong interpersonal skills, academic excellence, commercial acumen and an entrepreneurial spirit.

European language skills will be advantageous.

Successful candidates will join a meritocratic environment committed to further training, individual development and long-term career planning.

Interested applicants should forward a CV in the strictest confidence to Guy Townsend or Brian Hamill at the address below, quoting reference *GT 2187. All direct responses will be forwarded to:*

Guy Townsend/Brian Hamill
103-105 Jermyn Street
St James's
London SW1Y 6EE

UBS Limited

TECHNIP

■ *TECHNIP is a major international French engineering group with revenues of over US$ 1.5 billion, some 3,500 staff throughout the world and 2000 plants in 85 countries. The company is looking to recruit for its Head Office in PARIS a young, high-potential*

Senior Project Accountant

■ *THE POSITION : You will be responsible for the accounting, fiscal and administrative control of a variety of major overseas engineering projects, some of them above one billion French Francs. The function involves operational contacts with numerous different departments (engineering, treasury, purchasing, IT, tax etc.) and the management of a team of seven accountants. He will report to the head of Projects Accounting, Tax and Administration Department. A certain amount of travel worldwide will be necessary.*

■ *THE CANDIDATE : A University graduate and recently qualified accountant (ACA, CIMA...), you have acquired some three to five years experience within a major audit firm or the accounting function of an international group. Experience of project accounting and a good knowledge of French will be an advantage. Priority will be given to internationally-minded candidates who are mobile geographically for a subsequent career move.*

■ *Interested candidates should write to Thierry MAGEUX quoting reference 2985/TMF at NORMAN PARSONS, 6 rue Paul Baudry, 75008 Paris FRANCE, or by fax on (33.1) 42 89 09 85.*

Norman Parsons
GROUPE ROBERT HALF

Byline Group is a leading supplier of computer property management, investment and financial systems to major financial institutions and property managers. Its software package, Adminestate, is recognised as one of the world's top products of its kind. The company is based in the North East of England and has offices in Sydney, Australia. As a result of further expansion several key staff are required from April 1996. These positions present excellent opportunities for the right self motivated people to help build on our success and share in the resulting rewards.

A PROPERTY SPECIALIST is required to sell and market Adminestate and lead a team of specialists to implement the system. Aged 35 plus, you will have extensive experience of property management, investment and finance gained at senior level within a large property owning or managing organisation, allowing you to understand our client's strategic business objectives while also having insight into the day to day operational issues which affect their achievement.

Reporting to our Managing Director, you will play a key role in the management and development of the business and can expect to be rewarded appropriately.

Your communication skills will allow you to present our products and services in a straight forward manner to directors and senior managers of the largest property owning organisations. Experience in property related accounting and portfolio management would be highly valued.

The position is based in our offices in the North East of England and will involve extensive travel. The salary and benefits package offered reflects our desire to attract the very highest calibre people.

Please reply in confidence for the attention of:
Mr George Perfect
Managing Director
Byline Group
Conquest House
Spennymoor
Durham DL16 6JF
Tel: 01388 420732 Fax: 01388 420739

B Byline group

This is a high profile position within a leading public limited company with subsidiary activities in North America, Continental Europe and the Far East.

Reporting to the Director of Audit this role is ideally suited to a newly qualified graduate ACA/CA with a big 6 training involving exposure to major manufacturing audits. The Group has a policy of promoting young Head Office accountants to subsidiary line roles, both in the UK and overseas, and therefore this represents an excellent springboard for the future. Relocation with be provided.

OPERATIONAL AUDIT MANUFACTURING

£28K + CAR + BENS
LONDON

Please write in strictest confidence to Stephen Williams, quoting R114, CEDAR International, 15 Bloomsbury Square, London WC1A 2LJ. Tel: 0171 831 8383.

An Exceptional Strategic Opportunity with a world class consumer goods company

A WORLD OF OPPORTUNITIES

Corporate Finance Manager

London

Package to £90,000

PepsiCo is one of the world's most successful consumer products companies. With 471,000 employees in more than 175 countries, the corporation is an international leader in beverages, the world's largest producer of salty snack foods and the world's largest operator of quick service restaurants. The company has continued to aggressively expand its global businesses through a mixture of organic growth and acquisition.

Recent internal promotion has created the need for an exceptional individual to join the International Corporate Finance department, based in London and responsible for Europe, the Middle East and Africa. Reporting to the team Director and working within a high calibre professional function, the successful candidate will be responsible for managing the financing of a number of PepsiCo's *International operations. Specifically this will include:*

- Working closely with operational management and area CEOs/FDs on major acquisition and funding strategies.
- Constantly interacting with group Tax, Legal and Accounting functions in addition to external banks/advisors.
- Evaluating, developing and funding major internal investments.
- Strategically reviewing country operations and recommending structural changes where necessary.
- Working closely with divisions to increase profitability through improved efficiency in financial transactions.

This opportunity will appeal to a highly commercial ACA, MBA *or financially* orientated generalist (aged 28-35) with 3-4 years relevant experience in a major multi-national corporation. Previous exposure to complex treasury and taxation (US and International) functions is highly desirable. Strong leadership and communication skills are essential as is the ability to manage high calibre cross *functional teams on significant international projects.*

The rewards include an exceptional benefits package comprising attractive basic *salary, high bonus, company car allowance, and generous share option scheme. In* addition, the opportunity to develop a 'fast track' career is unrivalled in what is a highly meritocratic environment.

Interested applicants should write, enclosing a brief resumé, quoting reference BH2362, to our retained consultants, Brian Hamill or Robert Walker at Walker Hamill Executive Selection, 103-105 Jermyn Street, London SW1Y 6EE. Tel: 0171 839 4444. Fax: 0171 839 5857. Any applications made directly to PepsiCo will be forwarded to Walker Hamill.

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PEPSICO

B B C

Ambitious Finance Professionals

BBC Worldwide Publishing distributes BBC programmes and other intellectual property in all international publishing markets, including magazines, home video, books, audio and multimedia. Turnover is in excess of £200 million and growing. Three opportunities have now arisen for ambitious, commercially minded, qualified accountants to contribute to the success of the company's growth strategy. Opportunities for longer term career development are good.

To succeed in these positions, you will need to have excellent analytical skills, commercial awareness and the ability to communicate with and win the confidence of managers from all disciplines. You will also have good spreadsheet and other PC skills and a rigorous, questioning approach.

Finance Managers – New Media & Home Video

Salary c. £35,000 p.a. plus bonus

Reporting to the Finance and Commercial Director but working closely alongside the Directors of New Media and Consumer Publishing respectively, *the Finance* Managers will be responsible for providing management accounting, commercial support and financial analysis to their businesses, in particular:

* analysing new investments and business opportunities, including deal support.
* interpreting and making key decisions on the management accounts.
* presenting budgets and forecasts.
* advising on working capital management.
* analysing product and area profitability.
* managing royalty accounting.

(Ref: 21274/F)

Management Accountant

Salary c. £30,000 p.a. plus bonus

Reporting to and working closely with the Finance and Commercial Director, the Management Accountant will be a key *member of the finance management team.* Working on several projects at a time, the work will be very varied and consistently to tight timetables. Responsibilities will include:

* analysing and improving the quality of management information.
* conducting financial analyses across the whole of the BBC Worldwide Publishing business.
* co-ordinating the budgeting and planning process.
* carrying out ad hoc investigations and performance improvement reviews.

(Ref: 21275/F)

Based West London.

Interested candidates should send their C.V and a covering letter (stating current salary) indicating which position they are seeking (quote appropriate ref.) to **Paula Hornby, BBC Worldwide Publishing, Room A3078, Woodlands, 80 Wood Lane London W12 0TT** by March 18th.

WORKING FOR EQUALITY OF OPPORTUNITY

UK Financial Controller

LEASING SUBSIDIARY OF A MAJOR INTERNATIONAL GROUP

Central London £45,000 - £55,000

Our client is a major oil pipeline group controlling the domestic and export transport of oil within and from Russia. Their UK operation, based in London, facilitates the procurement of vital equipment through leasing and on-leasing to maintain the integrity of the pipeline network. Item values can range from several £100,000 to over £100 million, covering specialist and non-specialist equipment.

As Financial Controller and part of a small London team, you will *report to the UK Chief Executive fulfilling the role as 'number two' in* the business, assisting in the development of the London office and operation. You will provide the Chief Executive with full financial support. *The role is hands-on and will cover the establishment of* computer systems and financial controls, periodic and statutory reporting, financial planning, raising credit, taxation and all aspects of financial reporting for leases and associated transactions. There will be considerable liaison with other group operations in Moscow and elsewhere as well as with banks, financial consultants and other external advisors.

To apply for this role, you should be a qualified accountant with considerable big ticket leasing experience. Cross-border leasing experience, trade finance experience, some ability in the Russian language or work experience in Russia would be an advantage.

You should be a commercial individual, able to take decisions and to work in a small team, and deal with and understand different cultures. You are likely to be aged 32 to 48. This is an excellent, demanding *and wide-ranging commercial, financial management role in an* international group.

To apply or find out more, please forward your CV to:

Mark Masson CA at GMS, Goodman Masson Shaw, Crusader House, 145-157 St John Street, London EC1V 4QJ.

☎ 0171 336 7711 or Fax your CV on: 0171 336 7722

GOODMAN MASSON SHAW

Permanent and Temporary Financial Recruitment

International Group with a substantial presence in Russia and expanding business activities in a number of countries in the field of food operations , construction materials, real estate and project development urgently seeks a motivated individual for the following challenging position:

DEPUTY FINANCE DIRECTOR

(Prospects of Early Promotion to Finance Director)

Based in Moscow and Helsinki

Profile:

- MBA and/or qualified Accountant
- Age: 34 years and older
- Expatriate (preferably with knowledge of Russian language) or Russian native with excellent English and a number of years experience in a western firm.
- Qualifications and Experience should permit the candidate to formulate and manage the Financial Strategy of the Company within the frame of the Corporate Commercial Strategy. Develop the financial/accounting department, automated operating system, organize and supervise the accounting department O&M and systems and procedures
- Must be able to make an immediate contribution to the commercial strategy and development of the Group.
- Leadership and communications skills, with the ability to participate in high level meetings/negotiations.
- Experience in Food trade and distribution would be an advantage.

This is a demanding role and the *ideal candidate will* have a proven track record and should be able to demonstrate the experience and ability to develop a Finance Function through a period of growth and changing situations.

Knowledge of Russian Accounting Systems an advantage.

An extremely attractive package will be offered to the selected candidate.

Write to Box A5295, Financial Times, One Southwark Bridge, London SE1 9HL

APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday

For further information please call:

Andrew Skarzynski on +44 0171 873 4054

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The Group Accountant

NOTTINGHAM — EXCELLENT PACKAGE COMMENSURATE WITH EXPERIENCE

This £120m turnover private group is both progressive and a highly successful market leader in premium chilled food *manufacturing and distribution. It possesses an excellent reputation* for quality products and customer service. Excitingly, growth is set to continue in the future in this demanding environment.

Reporting directly to the Chairman and Chief Executive, the role of The Group Accountant is to ensure that the necessary financial *controls are maintained* and *the regular management information* reporting is both appropriate, timely and accurate. The subsidiaries are run autonomously both from a general management and a financial viewpoint, so an important aspect of the role will be to facilitate the information gathering, working closely with colleagues in the subsidiary operations. In addition there will be a considerable number of ad-hoc exercises to carry out.

Candidates should be qualified Graduate Accountants of high calibre. You are highly likely to be in the age range 27-47. Of more importance, you will already be viewed as highly competent, have excellent communication skills, and possess strength of character.

This is a challenging opportunity for the right person, in a quality environment.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to John Elliott, Coopers & Lybrand Executive Resourcing Limited, Temple Court, 35 Bull Street, Birmingham B4 6JT quoting reference JE303 on both envelope and letter.

IT Senior Appointments

For Banking, Finance & General Appointments please turn to pages 30-34

or contact:
Robert Hunt +44 171 873 4153
Toby Finden-Crofts +44 171 873 3456
Andrew Skarzynski +44 171 873 4054

FT IT Recruitment appears each Wednesday in the UK edition, and each Friday in the international edition

For more information on how to reach the top IT professionals in business call:
Will Thomas +44 171 873 3779
Clare Bellwood +44 171 873 3351

IT City Appointments

c. £100,000 package — *Global Private Banking* — *London/Home Counties*

Head of IT Delivery

Critical new appointment for a senior IT professional with financial services experience to strengthen the delivery capability of the IT function of a leading blue-chip private bank. Challenging role encompassing IT development, support and operations in the UK and worldwide, effecting change throughoot the Group.

THE ROLE

- Responsible to the Head of Group IT for working with the business to deliver high quality IT services that include the development of new applications and the support of all operational systems.
- Leading and motivating a unit of 130, developing an effective organisation for the longer term by ensuring that the necessary skills and resources are in place to meet business needs.
- Developing and maintaining an IT infrastructure to ensure continuity, security and consistent service quality to 3,300 users worldwide. Contributing to Group IT policy and strategy in co-ordination with senior management.

THE QUALIFICATIONS

- Graduate, with at least ten years' experience of managing IT in a financial services environment, preferably with knowledge of international private banking. Proven track record of delivering complex projects in the UK and overseas.
- Experience of managing a geographically dispersed IT department with significant budget and resource allocations. Clear understanding of IT architecture in a technical and business context. Detailed knowledge of IT processes, methodologies and best practice.
- Mature and self-confident, able to build relationships throughout the organisation as a business partner as well as a technical specialist. Strong action orientation, committed to achieving results.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

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Spencer Stuart

Please reply with full details to:
Selector Europe, Ref. F10080361,
16 Connaught Place,
London W2 2ED

Derivatives Software Support & Consultancy Services

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City

Renaissance Software is a premier supplier of trading and risk management software within the Capital markets. Established in California and with offices around the world we have a reputation both for excellence in the innovation and quality of our products and for the calibre and expertise of our people.

As a result of continued success in Europe we wish to expand our Client Account Development Team and our Quantitative Unit in London. Our requirement is for high-calibre professionals with a proven background in derivatives products. These are key positions calling for strong client/project management and quantitative analysis skills. Expertise in either systems integration or financial modelling are an advantage.

Self motivation and strong presentation and communication skills are seen as pre-requisites as is the flexibility to travel to overseas client sites when necessary.

Responsibilities will include identification of client product needs and opportunities and development and consultancy on implementations. These are exceptional opportunities offering substantial rewards and rapid career progression for the right candidates.

ARc

Please write or phone in confidence to our advising consultant Jane Moore at:
ARC International, Recruitment & Consultancy Services.
15/16 New Burlington Street, London W1X 1FF.
Tel: 0171-287 2525 Fax: 0171-287 9688. E-mail arc@ltjobs.co.uk.

BANKING/FINANCIAL

DERIVATIVES

to £45k +BANK BENS +BONUS

Business analysts with an in-depth knowledge of either Risk Management or Derivatives are required to join this leading world bank. Your brief will include the analysis of oew systems, as well as the oo-going development of new valuation and pricing models. A stroog academic backgrouod coupled with a knowledge of C/C++, SYBASE and Client/Server architecture is a distioct advantage. Soperb opportunities to join this truly elite team.

OTC DERIVATIVES

£40-50k +BANK BENS

Top Player in currency derivatives requires high calibre candidates with research level mathematics expertise and a good understanding of financial markets. As an integral member of this leading research team your brief will include analytics, development Monte Carlo simulations and complex pricing and risk analysis to identify opportunities in the market. Outstanding opportunities for ambitious individuals who could eventually be running their own Derivatives team in 12-18 mooths.

C++/MATHS

£30-50k +BONUS

Two financial engineers required with solid mathematics and C++ expertise. As integral members of a team supplying market risk informatioo for fixed income, your primary activities will include relative value analysis, statistics and development of priciog tools for the trading desks. Highly oumerate technicians with superior intellect need only apply.

PROJECT MANAGER/TRADING SYSTEMS

to £60k + BANK BENS

The Equities divisioo of this leading interoatiooal lovestmeot Bank requires an experieoced project maoager with solid trading systems, C++ and leadership skills. You will have full budget managemeot cootrol and provide a 'hands oo' approach to successful delivery of systems. Excellent opportuoity for a 'technical' team leader to broaden their sphere of influence.

C or C++/UNIX

to £50k + BONUS

Premier Iovestmeot Baok requires high calibre developers. Based oo the trading floor, you will develop analytic applications sopporting a diverse group of Fixed Income products. Eovironment is SUN/UNIX/C/SYBASE moving to Object-Oriented architecture including C++, Rogue Wave libraries, Object Ceotre and Rational Rose. Good degree, strong C/C++ programming and solid design skills. Preference given to candidates with SYBASE and financial expertise.

RISK MANAGEMENT

to £45k + BENS

Top class developers with at least 18 months' SYBASE and C++ are required to join this leading international consultancy. You should have a demonstrable interest in the financial markets as well as the resilience to work io an extremely fast moviog eoviroomeot. Excellent prospects including European travel and rapid promotioo.

ARC are preferred suppliers to the top financial institutions. This is a selection of current opportunities in the City. We have many more. Our consultants have an in-depth understanding of this market and how it can work best for you, so please call Isabel Blackley or Paul Wilkins on 0171-287 2525 to discuss your options. Alternatively please send, fax or e-mail your CV to us at: ARC International, Recruitment & Consultancy Services, 15-16 New Burlington St, London W1X 1FF. E-mail arc@itjobs.co.uk.

Tel: 0171-287 2525 ARc **Fax: 0171-287 9688**

SYSTEMS DEVELOPERS

for Investment Banking

C, UNIX, VISUAL C++, WINDOWS

City · £25k – £45k + benefits

Our client is one of the foremost investment banks in the City. There are a number of opportunities within the trading divisions for high quality systems developers. Whilst city experience is not a prerequisite, you will certainly have the following technical skills:

- At least 1 year's experience of C, UNIX development
- Or at least 1 year's experience of Visual C++, C++ or Windows
- Exposure to SQL and any relational database would be an advantage
- A degree or equivalent

Equally important will be your interpersonal and communication skills, drive, flair, self-motivation and commitment to deliver quality business solutions.

There will not be a better chance to optimise your experience and talents. To apply, call Victoria Selby or David Clayton on 0171-253 7172. Alternatively send your cv, quoting ref: 614 to them at: JM Management Services Limited, Chandos House, 12-14 Berry Street, London EC1V 0AQ. Fax 0171-253 0420 or E-mail us on jmms@dircon.co.uk

JM MANAGEMENT SERVICES

RISK – Professionals

ams Management Systems

AMS's business is to partner with clients to achieve breakthrough performance through the intelligent use of information technology. AMS is a business and information technology consulting firm that provides a full range of services: business re-engineering, change management, systems integration and systems development and implementation. AMS, which completed its 26th consecutive year of growth, has 6,000 consultants working in 47 offices worldwide. AMS's European revenues have grown at an annual rate of 97%, making the firm the fastest growing consultancy in Europe.

The RISK practice of AMS is focused on larger financial institutions. Through our 10 European offices, we assist our clients with a range of consulting services that help bridge the gap between best practices finance theory and current state. Our expertise includes mathematical concepts, organisational design, risk controlling and information technology.

Positions are now available to work initially in Europe on the design and implementation of Global Risk Management Systems. Our culture is driven by producing measurable results for our clients. We interface with all levels of the client organisation. We deliver a range of tangible benefits such as data warehousing, VAR reports, risk engines and change management programs.

UK ◆ NETHERLANDS ◆ GERMANY ◆ FRANCE

C++ Analyst Programmers

£30-45,000

Analyst Programmers are required with a minimum of two years' financial systems development experience of Object Oriented design and development coocepts using C++. Although Sybase Versioo 10 or other RDBMS would be ideal, it is not esseotial.
Working in highly focused business systems groups, your role will be to develop OO solutions for complex and dynamic risk systems. The ability to translate business ideas into re-usable componeots is critical.
You must have a basic understanding of trading prodocts – primarily interest rate based and derivatives – with a working knowledge of Unix, preferably Solaris or HP-UX. Ideally you will have speot at least two years' in the areas of trading risk or front office systems with six months+ in front/middle office. Ref: 055/96

Database Architect – Sybase

£30-45,000

A taleoted Database Architect is required with a detailed understanding of database development concepts and at least two years' financial systems experience, using all Sybase products including supporting development utilising Replication Server.
A background in trading risk or froot office systems – primarily interest rate based and derivatives – with six months+ in front/middle office is also required. Ref: 053/96

Senior Business Analysts

£45-55,000

Senior Business Analysts must be able to show strong structured analytical experience preferably in an Object Oriented environment with an understanding of how large financial organisations identify and control risk. A good grasp of one or more of the following product areas is required: Fixed Income, Equity, Money Market and Foreign Exchange.
You will have at least two years' experieoce of a oumber of front office trading systems with six months+ io front/middle office. Io addition, a strong statistical background is required to assist in the definitioo of risk management methodologies. Ref: 054/96

Financial Engineers

£45-55,000

Yoo will typically have at least two years' experieoce in trading risk or front office environmeots with six months+ in front/middle office. Io addition, a strong statistical background is required to assist in the definitioo of risk management methodologies.
You must be capable of defining the mathematics behind one or more of the following product ranges: Fixed Income, Equity, Money Market and Foreign Exchange and their derivatives. Your skills will include structured analysis and design in an Object Oriented envirouneot with knowledge of the use of MS Excel or other spreadsheets. Ref: 052/96

For a detailed discussion regarding any of the above positions please contact us quoting the appropriate reference.
1 Groveland Court, Bow Lane, London EC4M 9EH. Tel: 0171 236 4288 or 0171 248 0393.
Fax: 0171 236 4277. E-mail: info@citielite.co.uk http: //www.citielite.co.uk

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LEADING INVESTMENT BANK

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COMMODITIES AND AGRICULTURE

MARKET REPORT

Oil prices strengthen as refiners hunt for supplies

By Robert Corzine

Oil prices firmed yesterday as refiners continued to scramble for supplies.

The price of the benchmark Brent blend for April delivery was US$18.30 a barrel in late London trading, 15 cents up on Wednesday's closing price.

Oil traders attributed the recent price rises to continuing cold weather in parts of Europe, the US and Asia, and to the "just in time" inventory management techniques increasingly used by refiners.

A sharp reduction in inventories has helped refiners cut costs as they struggle to overcome thin refining margins. But it has made oil markets more volatile because refiners rush to buy oil in response to cold weather or a possible disruption of supplies.

The rise in the prompt price has been "extraordinary", said Mr Lindsay Horn, a trader with Lehman Brothers investment bank in London. "There is a mad scramble for crude oil," he said, but warned the market "could flip within a week".

The impact of the new inventory management techniques on the oil industry was highlighted yesterday by the International Energy Agency, the Paris-based body which monitors energy markets.

In its monthly oil market report the IEA noted that demand for oil from the Organisation of Petroleum Exporting Countries this year will depend on the pace at which world oil stocks are rebuilt. "A crucial factor affecting the call on Opec crude will be the extent to which OECD stocks are rebuilt from the current, historically low levels," it said.

The agency estimated that the call on Opec crude oil plus stock changes would average 24.4m barrels a day in the remaining three quarters of 1996. It said Opec supply in February was 25.9m b/d, well above its production ceiling of 24.52m b/d.

Opec members Venezuela and Indonesia boosted their production in February, the report said. There was also increased output in Nigeria and the neutral zone between Saudi Arabia and Kuwait. These rises offset declines in Iran, the United Arab Emirates, Algeria and Libya.

Delays over land dispute may threaten Queensland zinc mine

By Nikki Tait, in Melbourne

The US$850m Century zinc project in northern Queensland could be in doubt because of delays caused by negotiations with local aboriginal groups, RTZ-CRA, the Anglo-Australian mining group, hinted yesterday.

Mr Leon Davis, chief operating officer, repeated warnings that these delays could endanger the relationship with Pasminco's 210,000-tonnes-a-year Budel smelter in the Netherlands, which is essential to both projects.

Century, scheduled to produce 450,000 tonnes of zinc in concentrate a year, offers the only substantial source of "clean concentrates" Budel needs to meet environmental restrictions imposed by the Dutch authorities.

Pasminco needs to start buying from Century by 1998 to meet these environmental commitments.

But the timing of the Century mine development has become uncertain because the High Court, Australia's highest judicial authority, ruled that a native title claim by the Waanyi people for land encompassing the mine site could be registered with the new Native Title Tribunal. This triggered a formal negotiation period.

Mr Davis sounded pessimistic yesterday when he said that the constraints of the Pasminco timetable were now "unlikely to be met". He acknowledged that the Australian zinc producer might be able to change its production schedules or renegotiate with the Dutch authorities.

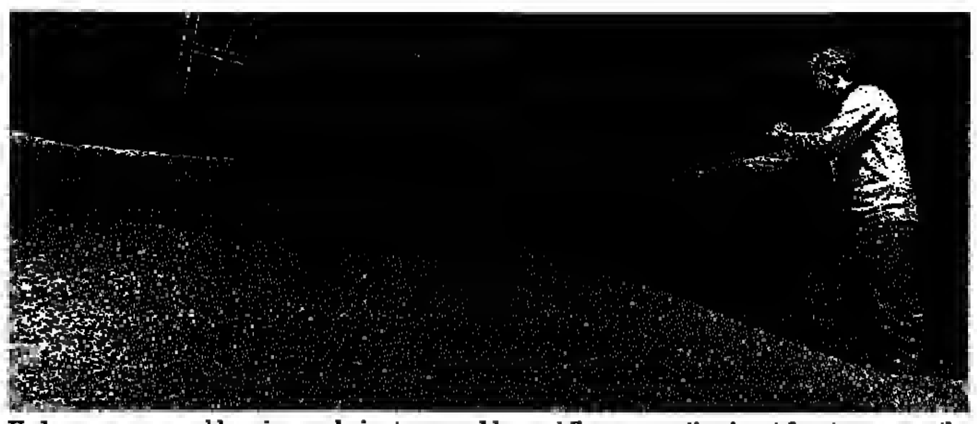
But if the Pasminco contract – which would account for about half Century's output – fell by the wayside, he said that the Century project might have to scaled down, putting its viability in question.

More positively Mr Davis, speaking during the presentation of RTZ-CRA's annual results, said the group had already looked at the possibility of uranium mining developments in Australia in the wake of last week's federal election results. The victorious Liberal-National coalition has said that it will abandon the Labor party policy which restricted uranium mining to three sites, one of which is worked out.

But he cautioned against expectations of early development. In spite of the recent uptick in spot prices, he said that these would not justify new mining activity. "We have to go ont and see what long-term contracts we can get," he said, adding that feasibility studies would then have to be conducted.

Low grain stocks prompt set-aside debate

Geoff Tansey on estimates that the 1996 grain harvest has to be 9% higher than last year



Under pressure: world grain supply is at a record low, while consumption is set for strong growth

European and American farmers may have to bring set-aside agricultural land back into production in order to rebuild low world grain stocks, according to Mr Lester Brown, director of the Worldwatch Institute, a think-tank which monitors food availability.

World carry-over grain stocks in 1996 are down to 48 days of world consumption, the lowest level on record. Mr Brown says rebuilding stocks "poses an immediate challenge to the international community" to restore a minimal level of food security.

This means rebuilding stocks to at least 60 days of consumption, and will require a 9 per cent increase in the 1996 harvest. In order to achieve this he says the EU "should reconsider its decision to hold out 10 per cent of its cropland in 1996". Mr Brown also suggests that in the longer term the US can bring up to half the 36m acres of land in its Conservation Research Programme back into production.

"The experience of the last 35 years shows that whenever grain stocks drop below 60 days, prices start climbing, becoming highly volatile," he says.

Dr Per Pinstrup-Andersen, director general of the International Food Policy Research Institute, issued a similar warning in January. "Bad weather this year could send prices skyrocketing, because world grain stocks are so low."

However he added that "with normal weather, prices should fall this year as grain production increases faster than consumption".

The 1995 grain harvest of 1.685bn tonnes was 65m tonnes below grain consumption, with the result that carry-over stocks dropped from 296m tonnes in 1995 to 231m tonnes in 1996, according to Mr Brown. He calculates that the 9 per cent increase – or 151m tonnes – required to remedy the shortfall includes 65m tonnes to eliminate the deficit from last year, 28m tonnes to cover the growth in world population and 58m tonnes to rebuild stock levels to 60 days.

Mr Brown says the "soaring growth in the demand for grain occurring in Asia as the region industrialises" will make it hard to rebuild stocks.

Mr Brown caused controversy last year with predictions that China's grain import requirements would reach about 200m tonnes in 2030 – roughly equal to total world grain exports last year – and could go even higher. The idea that China would be heavily dependent on imported grain provoked fierce criticism from the Chinese, as Brown notes in his book *Who will feed China? Wake-up call for a small planet*.

Such estimates are too high according to Mr Nicholas Alexandratos, chief of the Global Perspective Studies Unit at the UN Food and Agriculture Organisation.

Mr Alexandratos accepts Mr Brown's basic figures on the growth in demand for cereals, but believes the Chinese will be able to increase production greatly and disagrees with many of Mr Brown's assumptions, including those about a large decline in the area planted with cereals.

"New data indicate that China's cultivated land is about 30 per cent above that used by Brown," he says in a review of Mr Brown's book to be published in Agricultural Economics, a journal. He suggests that China's import requirements are likely to be about 30m tonnes to 50m tonnes in 30 years' time.

Mr Alexandratos also rejects Mr Brown's assumption of a drastic decline in the rate of growth of world cereal production to an estimated 0.5 per cent a year, although he accepts that the rate might be lower than it has been in the past.

He cites two reasons for this – a slowdown in population growth coupled with a failure of incomes and agricultural production to grow sufficiently in sub-Saharan Africa and south Asia to meet food needs.

For poor farmers and others depending on agriculture, rising crop prices are good if they increase their incomes, notes Dr Pinstrup-Andersen. However he and Mr James Garrett, also from IFPRI, warn that "public polices to help deal with rising prices must not harm poor producers while helping poor consumers". In *Rising food prices and falling grain stocks: short-run blips or new trends?** the two also criticise the EU's tax on wheat exports and the South African decision in mid 1995 to halt all new grain export contracts. These measures, they say, prevent farmers benefiting from higher international prices.

**Available from IFPRI, 1200 Seventeenth Street, NW, Washington DC 20036-3006, USA. Fax 1 202 467 4439.*

Grenada suspends banana exports over quality fears

By Canute James, in Kingston

Banana exports from Grenada have been suspended because of poor quality fruit, according to the Windward Islands Banana Development Company, the main marketing agency in the islands of Dominica, Grenada, St Lucia and St Vincent. The islands are the main source of bananas consumed in Britain.

"The action is justified because our quality is indeed terrible," said Mr Dudley Andrew, chairman of Grenada's banana producers' union, after the one-month suspension was announced.

The suspension followed a request from Mr John Compton, the prime minister of St Lucia, that poor quality fruit from Grenada should not be accepted for export. Meetings are being held in Grenada this week to discuss how to improve the island's bananas.

Bank offers full agricultural hedge

By Deborah Hargreaves

Midland Bank says it has produced a more effective hedge for "green" currency risk on agricultural commodities with its new forward and options contracts.

"We are providing a 100 per cent hedge for the currency risk rather than an 80 per cent hedge and we've also made the products cheaper," says Ms Jayshree Davé, manager of UK derivative sales.

Food companies are exposed to currency fluctuations on many of their raw materials because agricultural products are priced in Ecu and then translated into national currencies by a "green" exchange rate. This "green" rate is devalued regularly which tends to push prices up.

However many food companies are reluctant to buy hedging products: "Many buyers of agricultural commodities don't understand that although they are buying and selling in the UK, they can still be exposed to currency risk," according to Ms Joan Noble, a European food consultant.

Ms Davé says that companies are beginning to show an interest in a green hedge and that one food manufacturer has used the bank's new product.

The price of sugar went up 10 per cent last year because of green rate changes, although there have been no devaluations since last July. Ms Noble says companies should consider hedging now in preparation for periods of currency instability, when it will become much more expensive to put on a hedge.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1584-85	1613-14
Previous	1586.5-87.5	1616.5-17.0
High/low	1578/1577.5	1619/1608
AM Official	1578-78.5	1606-6.5
Kerb close		1616.5-17.5
Open int.	213,039	
Total daily turnover	53,603	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1350-55	1384-88
Previous	1340-50	1380-85
High/low		1387/1375
AM Official	1340-45	1375-80
Kerb close		1385-90
Open int.	5,119	
Total daily turnover	856	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	742.5-3.5	742-43
Previous	738.5-9.5	738-39
High/low		750/731
AM Official	734-35	734.5-5.5
Kerb close		750-2
Open int.	37,531	
Total daily turnover	14,391	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7710-20	7810-20
Previous	7650-60	7755-60
High/low		7895/7680
AM Official	7620-25	7725-30
Kerb close		7895-800
Open int.	41,142	
Total daily turnover	10,347	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5955-65	6025-30
Previous	6070-75	6141-42
High/low		6150/5960
AM Official	5935-40	6004-5
Kerb close		6020-30
Open int.	15,266	
Total daily turnover	7,454	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1039-40	1055-56
Previous	1028.5-9.5	1048.5-8.5
High/low	1032/1031	1051/1048
AM Official	1031.5-32	1048-48.5
Kerb close		1060-1
Open int.	76,984	
Total daily turnover	28,701	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2552-54	2519-20
Previous	2566-68	2524-25
High/low	2552/2550	2533/2515
AM Official	2551-52	2517-18
Kerb close		2527-8
Open int.	170,350	
Total daily turnover	55,825	

■ LME AM Official £/$ rate: 1.5284
LME Closing £/$ rate: 1.5300

Spot: 1.5303 3 mths: 1.5277 6 mths: 1.5247 9 mths: 1.5220

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	118.20	+0.16	118.40	116.60	798	4,761
Apr	117.80	+0.25	117.80	116.25	257	1,462
May	117.20	+0.35	117.40	115.40	3,634	19,018
Jun	115.35	+0.20	115.60	114.50	4	767
Jul	114.00	+0.15	114.30	112.75	293	4,708
Sep	111.80	-0.05	112.00	112.00	49	2,970
Total					5,224	41,001

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	393.70-394.10		
Opening	394.20-394.60		
Morning fix	394.20	258.356	475.619
Afternoon fix	393.90	257.569	473.665
Day's High	394.50-394.90		
Day's Low	391.30-391.70		
Previous close	393.60-393.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.29	6 months	3.82
2 months	4.01	12 months	3.35
3 months	3.89		

Silver Fix	p/troy oz.	US cts equiv.
Spot	351.95	537.25
3 months	356.95	543.85
6 months	361.45	549.75
1 year	370.55	561.50

Gold Coins	$ price	£ equiv.
Krugerrand	393-396	257-259
Maple Leaf	405.40-407.95	
New Sovereign	92-95	60-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	385.3	+2.1	-	-	1	-
Apr	386.4	+2.0	386.7	392.3	17,633	88,170
Jun	389.1	+2.0	389.5	395.0	3,459	42,244
Aug	401.5	+2.0	400.5	397.8	585	12,453
Oct	403.8	+2.0	402.5	402.5	47	4,186
Dec	406.2	+2.0	406.5	402.3	477	14,702
Total					23,436	208,308

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	413.2	+4.0	413.4	407.5	937	14,016
Jul	415.7	+4.0	415.0	411.0	474	6,544
Oct	417.7	+3.7	417.0	416.0	248	1,629
Jan	419.7	+4.7	417.0	417.0	526	786
Total					1,659	22,985

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	136.30	+0.45	136.50	136.00	65	151
Jun	136.55	+0.45	137.50	135.50	316	6,201
Sep	137.80	+0.45	-	-	1	129
Dec	139.05	+0.45	-	-	1	78
Total					387	6,558

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	541.0	+4.6	543.0	532.0	256	587
May	545.5	+4.6	546.0	536.0	7,647	49,312
Jul	550.1	+4.8	552.0	541.0	337	13,035
Sep	554.5	+4.8	555.0	548.0	66	10,950
Dec	561.1	+4.8	562.0	552.0	236	7,196
Mar	567.7	+4.8	569.0	562.0	1	2,654
Total					8,570	86,849

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	18.88	-0.31	20.29	19.50	58,112	88,614
May	18.92	-0.15	19.20	18.69	40,613	70,128
Jun	18.34	-0.08	18.49	18.30	12,946	44,156
Jul	17.96	-0.09	18.16	17.93	4,971	36,813
Aug	17.70	-0.05	17.78	17.70	2,798	20,523
Sep	17.53	-0.04	17.59	17.50	2,269	16,243
Total					135,364	420,245

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	18.31	-0.07	18.53	18.23	22,608	50,024
May	17.38	-0.08	17.53	17.31	15,084	49,973
Jun	16.81	-0.10	16.96	19.50	3,143	30,189
Jul	16.45	-0.11	16.59	16.41	1,716	35,141
Aug	16.25	-0.11	16.39	16.20	544	8,621
Sep	16.23	-0.23	16.26	16.23	126	11,952
Total					42,076	269,273

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	54.00	-0.22	54.60	53.45	13,672	25,607
May	50.25	-0.11	50.65	49.90	4,520	13,761
Jun	48.70	-0.18	49.20	48.60	2,131	11,729
Jul	48.50	-0.01	48.50	48.45	1,019	8,284
Aug	48.65	-0.21	48.65	48.65	61	5,530
Sep	49.50	-0.01	49.95	49.40	38	2,738
Total					24,871	86,712

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	183.00	+8.75	183.50	178.50	6,459	16,968
Apr	161.75	+3.00	162.25	160.00	8,959	17,064
May	154.50	+1.25	155.75	153.25	3,672	6,215
Jun	151.50	+1.00	152.75	150.50	1,886	7,946
Jul	150.00	+0.50	151.00	149.00	584	5,077
Aug	150.00	+0.50	150.00	149.00	581	3,372
Total					22,551	66,503

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	2.180	-0.008	2.210	2.140	8,879	25,946
May	2.070	-0.008	2.090	2.040	1,883	17,795
Jun	1.990	-0.005	2.010	1.980	910	14,499
Jul	1.940	-0.005	1.960	1.935	506	12,910
Aug	1.915	-0.002	1.935	1.916	168	11,789
Sep	1.895	-0.002	1.900	1.895	182	9,043
Total					14,831	140,789

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	59.40	-0.35	59.95	58.85	11,798	28,790
May	58.60	-0.54	59.25	58.40	4,233	18,813
Jun	57.00	-0.22	58.30	57.55	876	8,232
Jul	56.60	-0.15	58.75	56.55	371	6,014
Aug	55.25	-0.16	55.30	55.00	340	3,305
Sep	53.50	-0.35	53.50	53.50	251	764
Total					17,868	64,515

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	115.25	-0.05	115.00	115.00	20	207
May	117.70	+0.10	117.75	117.25	48	3,362
Jul	119.75	+0.25	119.50	119.25	8	620
Sep	109.45	-0.20	-	-	-	215
Nov	110.85	-	110.85	110.50	48	1,452
Jan	112.50	-	112.50	112.50	16	369
Total					134	6,271

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	513.25	+16.00	513.50	506.50	1,166	6,696
May	495.00	+7.00	497.00	489.00	6,891	28,896
Jul	459.50	+5.50	462.00	455.00	12,988	49,209
Sep	463.50	+6.00	464.00	459.75	371	8,584
Dec	474.25	+6.00	475.50	472.25	1,058	5,662
Mar	476.00	+6.50	476.00	474.00	33	298
Total					22,469	106,517

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	390.75	+7.75	391.00	386.00	5,666	16,080
May	388.00	+7.00	388.50	381.50	39,255	200,442
Jul	380.25	+5.75	380.75	378.50	15,518	121,343
Sep	329.75	+4.75	330.00	327.00	2,708	35,590
Dec	316.75	+4.00	317.00	310.00	7,302	85,775
Mar	321.75	+4.00	321.75	319.50	263	7,303
Total					70,783	470,252

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	107.75	-0.15	107.50	107.50	20	293
May	108.00	-0.20	-	-	-	480
Sep	105.40	-0.35	-	-	-	37
Nov	107.70	-0.05	-	-	-	509
Jan	109.65	-0.05	-	-	-	93
Total					20	1,496

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	719.50	+3.50	720.50	717.50	5,627	4,329
May	730.25	+3.75	731.75	727.00	27,228	72,905
Jul	739.00	+3.25	740.50	736.00	9,012	49,566
Aug	741.25	+4.25	742.00	739.75	344	5,993
Sep	731.00	+3.25	733.00	730.50	420	4,047
Nov	730.75	+5.25	732.50	726.00	8,291	53,632
Total					51,077	195,842

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	23.68	+0.00	23.68	23.58	5,064	3,877
May	23.97	+0.05	24.03	23.88	9,970	37,503
Jul	24.36	+0.08	24.41	24.26	1,393	26,777
Aug	24.55	+0.05	24.57	24.46	513	7,592
Sep	24.74	+0.05	24.75	24.65	897	4,404
Oct	24.91	+0.05	24.93	24.85	420	2,692
Total					19,576	81,481

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	229.4	+1.2	230.7	229.2	4,139	3,211
May	233.3	+1.7	234.5	232.0	12,098	38,156
Jul	236.3	+1.8	237.7	235.4	2,936	23,082
Aug	236.4	+1.1	238.2	236.0	813	5,516
Sep	236.4	+1.6	237.3	236.2	423	3,500
Oct	233.6	+2.1	234.7	232.0	124	2,979
Total					22,137	84,888

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	200.0	-	-	-	-	-
Apr	180.0	-6.3	185.0	181.0	53	886
May	185.0	-14.6	190.0	190.0	1	30
Jun	225.0	-	-	-	-	-
Nov	105.0	-	-	-	-	-
Total					58	962

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1435	+12	1435	1430	47	834
Apr	1456	+16	1460	1450	38	1,232
May	1420	+16	1420	1420	6	341
Jul	1320	+15	1320	1315	14	1,799
Oct	1353	+16	-	-	-	628
Jan	1363	+8	-	-	-	52
Total					105	4,916

	Close	Prev
BFI	1348	1347

FUTURES DATA
All futures data supplied by CMS.

Wool
New Zealand crossbred wool was dearer again at this week's auction, while Australian merino wool barely held steady. The contrast between merino and crossbred sectors applied last week to British wool also, with good competition at firmer prices at a Bradford auction. The Australian merino wool stockpile is probably one factor checking better sentiment in the merino sector. There is no crossbred wool stockpile. Of more importance is the sluggishness of demand in practically all the major wool consuming countries, related to difficult retail sales and economies showing no pronounced recovery trend. The main Australian market indicator closed at 572 cents a kg this week, down 7 cents on the week, but at a new low point for the season. The New Zealand market indicator was 4 cents higher at 509 cents a kg.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	886	+5	886	883	24	130
May	903	-	905	898	2,232	27,769
Jul	926	-	928	923	1,092	16,832
Sep	946	+1	948	944	586	38,864
Dec	962	-	964	980	997	18,614
Mar	982	+6	983	980	843	38,894
Total					5,988	152,791

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1229	+10	1230	1222	12	183
May	1245	+10	1246	1238	5,350	38,684
Jul	1268	+8	1268	1263	1,281	20,645
Sep	1291	+16	1291	1287	293	11,954
Dec	1324	+8	1324	1322	318	13,347
Mar	1351	+8	1356	1356	30	7,513
Total					7,246	98,301

■ COCOA (ICCO) (SDR's/tonne)

Mar 6	Price	Prev. day
Daily	815.23	918.98

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	2003	+8	2005	1960	241	3,304
May	1843	+14	1849	1816	1,743	12,501
Jul	1779	+16	1785	1755	235	4,465
Sep	1748	+14	1750	1728	34	3,045
Nov	1723	+13	1725	1708	106	1,237
Jan	1703	+10	1705	1690	15	283
Total					2,374	22,095

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	118.16	+0.30	117.75	116.00	141	1,001
May	112.70	-0.30	115.40	112.30	4,077	15,372
Jul	111.45	-0.05	114.00	111.00	555	4,438
Sep	110.40	-0.15	112.75	110.25	274	3,215
Dec	109.50	+0.00	111.65	109.50	234	1,416
Mar	108.50	+0.25	109.70	108.50	6	412
Total					5,289	25,965

■ COFFEE (ICO) (US cents/pound)

Mar 6	Price	Prev. day
Comp. daily	103.27	104.34
15 day average	107.36	107.95

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.90	-	-	-	-	-
May	11.90	-	-	-	-	-
Jul	11.90	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	377.0	-0.7	377.5	375.1	799	13,739
Aug	358.2	-0.1	358.8	357.0	330	7,341
Oct	323.2	-0.2	323.5	321.5	30	4,873
Dec	314.6	+0.5	815.2	313.0	12	2,584
Mar	308.5	-1.2	307.5	307.5	1	730
May	307.5	+0.5	307.6	306.0	14	534
Total					1,176	29,781

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	11.74	+0.01	11.80	11.65	4,983	60,524
Jul	10.83	-0.03	10.87	10.75	1,565	35,361
Oct	10.45	-0.00	10.50	10.35	1,344	27,499
Mar	16.22	+0.01	10.22	10.06	772	14,551
May	10.15	+0.02	10.15	9.99	383	3,631
Jul	9.99	+0.02	9.99	9.90	111	1,383
Total					9,178	143,327

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	82.01	-0.36	82.75	81.70	99	89
May	83.86	+0.61	83.95	83.05	6,794	21,340
Jul	84.54	+0.76	84.70	83.95	1,223	11,176
Oct	81.78	+0.28	81.50	81.50	144	2,381
Dec	80.20	+0.17	80.25	80.00	893	16,903
Mar	80.94	+0.11	80.87	80.87	63	1,646
Total					9,241	58,184

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	129.15	-0.30	129.50	128.25	1,470	12,561
Jul	127.75	-0.20	128.00	127.10	368	3,133
Sep	126.00	-0.15	126.00	125.50	37	2,013
Nov	122.70	+0.20	122.75	122.50	27	673
Jan	121.75	-0.25	122.00	122.00	51	2,418
Mar	123.25	+0.25	123.70	123.70	-	129
Total					2,075	21,163

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Mar 7	Mar 6	month ago	year ago
2120.1	2122.7	2149.1	2331.2

■ CRB Futures (Base: 1967=100)

Mar 6	Mar 5	month ago	year ago
243.91	243.15	245.93	232.84

■ GSCI Spot (Base: 1970=100)

Mar 6	Mar 5	month ago	year ago
196.59	194.99	193.53	176.32

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	61.525	-0.600	62.125	61.475	8,458	33,020
Jun	62.375	-0.575	62.850	62.050	4,258	25,714
Aug	61.900	-0.125	62.275	81.750	1,927	12,706
Oct	63.275	+0.200	63.425	63.000	615	16,424
Dec	62.475	+0.350	62.500	62.150	390	5,639
Feb	62.475	+0.275	62.550	62.200	64	2,917
Total					15,731	90,570

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	48.750	+0.250	49.100	48.225	3,336	12,636
Jun	53.550	+0.100	53.950	53.175	2,450	12,452
Jul	51.400	-0.200	51.825	51.250	429	3,079
Aug	49.200	-0.300	49.650	49.150	451	4,035
Oct	45.375	-0.350	45.950	45.325	241	2,733
Dec	46.475	-0.225	47.000	46.400	58	1,584
Total					6,976	37,267

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Mar	68.400	+1.925	68.475	66.500	520	1,322
May	68.300	+1.625	68.650	66.700	2,359	6,540
Jul	65.100	+1.575	65.200	63.550	445	2,153
Aug	60.925	+1.875	60.950	59.500	20	490
Feb	64.400	+0.600	64.550	64.500	14	35
Mar	63.980	-0.500	64.000	64.000	1	5
Total					3,366	10,545

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1500	126	152	10	22
1600	58	88	40	54
1700	20	45	100	108
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
2400	147	119	22	69
2500	82	73	56	119
2600	39	41	112	183
■ COFFEE LCE	May	Jul	May	Jul
1850	91	116	988	189
1900	71	101	128	222
1950	55	87	162	258
■ COCOA LCE	May	Jul	May	Jul
875	38	71	10	20
900	23	58	20	30
925	13	42	35	41
■ BRENT CRUDE IPE	Apr	May	Apr	May
1700	-	78	-	54
1750	90	60	5	-
1800	45	41	16	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$16.72-6.87w	-0.250
Brent Blend (dated)	$19.13-9.15	-0.016
Brent Blend (Apr)	$18.29-8.31	+0.100
W.T.I.	$19.84-9.90w	-0.150

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$186-187	+1
Gas Oil	$177-179	+5
Heavy Fuel Oil	$103-105	+3.5
Naphtha	$208-216	+8
Jet fuel	$208-210	+8
Diesel	$177-179	+3

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

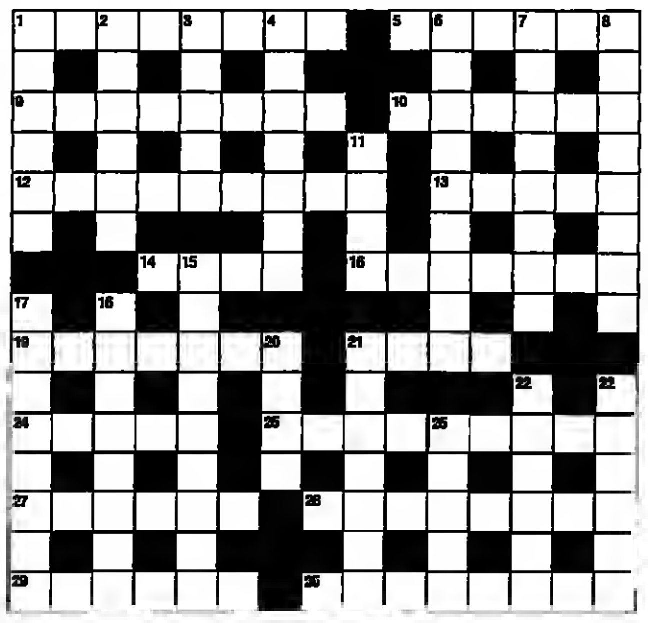
Gold (per troy oz)♣	$393.90	+0.15
Silver (per troy oz)♣	538.5c	
Platinum (per troy oz.)	$409.75	+3.00
Palladium (per troy oz.)	$135.25	+1.50
Copper	122.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.56m	-0.10
Tin (New York)	282.50c	-5.00
Cattle (live weight)†	117.35	-1.37*
Sheep (live weight)†♠	134.25	+3.28*
Pigs (live weight)†	105.78	+3.51*
Lon. day sugar (raw)	$311.8	+0.7
Lon. day sugar (wte)	$394.0	-1.5
Barley (Eng. feed)	113.5	
Maize (US No3 Yellow)	146.5z	-4.0
Wheat (US Dark North)	Unq.	
Rubber (Apr)♥	107.50p	-1.00
Rubber (May)♥	107.50p	-1.00
Rubber (KL RSS No1)	404.00m	-3.50
Coconut Oil (Phil)§	$740.0v	+10.0
Palm Oil (Malay.)§	$510.0u	+2.5
Copra (Phil)§	470.0v	
Soyabeans (US)	207.0u	+1.0
Cotton Outlook'A' index	83.00	+0.50
Wooltops (64s Super)	439p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Mar.♥ w Apr. y Feb/Mar. v Apr/May London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week †Prices are for previous week.

JOTTER PAD

CROSSWORD

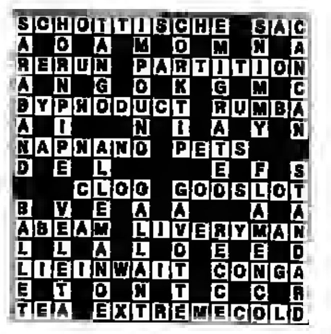
No.9,013 Set by VIXEN



ACROSS
1 A form occasioning much disgust (8)
5 Metal decoration requires capital (6)
9 Has had more than enough of state aid maybe (8)
10 Making small change in direction, pay attention to growth (6)
12 Having an area of grassland, pledge to raise fruit (9)
13 The little copper can intervene (3,2)
14 Sword borne by the peers of the realm (4)
16 A note about the principal goddess (7)
19 Photograph sporting couples (5-2)
21 A resounding comeback! (4)
24 To take only a tiny amount shows sense (5)
25 Plant rush to excellent effect (9)
27 One's real problem lies in the Eastern Mediterranean (6)
28 Went round the bend when monopolised (8)
29 Almost see eye-to-eye on back-street addresses (6)
30 Try one new lines (8)

DOWN
1 Like token grant (6)
2 Food will be provided in the job-centre eventually (5)
3 It's an unusual colour (5)
4 Act – in the theatre? (7)
6 Spring spirit apparent in game (9)
7 Approach on the subject of true reform (8)
8 Compromise to cut short acrimony (8)
11 Chance upon a letter from Greece (4)
15 Quiet about decent characters setting an example (9)
17 Carol, shown around an animal hospital, is critical (8)
18 Save for 10 (8)
20 Face the cat! (4)
21 Views spending money abroad as a bad thing (7)
22 Taking offence after casual shirt causes panic (6)
23 Transport and plant without cash (6)
26 Thickly populated, so needs to be well organised (5)

Solution 9,012



INTERNATIONAL CAPITAL MARKETS

Rate cut fails to give lead to European sector

By Samer Iskandar in London and Lisa Bransten in New York

European government bond markets lacked direction yesterday, making this week one of the most erratic since the beginning of the year. French and German bonds ended slightly lower, despite a cut in French official interest rates and the release of data showing weak economic activity in Germany late last year and suggesting further weakness in 1996. Meanwhile, US Treasuries fell for the fourth consecutive day.

■ German government bonds ended lower, ignoring the release of data showing that German GDP had fallen 0.5 per cent in the fourth quarter of 1995. The June 10-year bund contract closed at 96.64 on Liffe, down 0.38.

Analysts are increasingly confident that "the next move in German rates is down". Economists at Deutsche Bank predict further easing, of between 25 and 50 basis points, in the discount rate later this month or in April.

■ French bonds also lost ground, despite an easing in official rates. The central bank, adopting a "step-by-step" approach to easing, lowered its intervention and five to 10-day lending rates by 10 basis points, to 3.80 per cent and 5.50 per cent respectively.

GOVERNMENT BONDS

The March 10-year future lost 0.40 on Matif to close at 121.56. In the cash market, the 10-year spread of OATs over bunds narrowed by 1 basis point to 24. This spread has tightened substantially in recent months to what is now considered a very low level. However, this can be explained by several factors. Mr Patrick Mange, a senior economist at Deutsche Bank in Paris, said: "The market is taking into account the fact that France is making efforts towards reducing its public deficits, while those in Germany appear to be widening."

Also, market participants seem to have adopted the convergence scenario of monetary union. This is reflected in the futures market, where long-term contracts on three-month rates "reflect the anticipation that Fibor and Pibor rates should converge early in 1998 and trade at the same level thereafter", said Mr Mange.

■ UK gilts traded lower as the latest CBI survey showed optimism on consumer spending and indications of potential upward pressure on prices. Liffe's June long gilt future closed at 106$\frac{13}{32}$, down $\frac{9}{32}$.

"The survey came too late to dissuade the chancellor," said Mr Nigel Richardson, head of bond research at Yamaichi, referring to market expectations that Mr Kenneth Clarke would decide to cut the base rate, possibly today. "But it [the survey] will temper the long end of the yield curve."

Short-dated paper was better supported, and money market rates reflected a 25 basis point cut to 6 per cent.

The June maturity of Liffe's short sterling contract settled at 94.09, down 0.04, giving an implied three-month rate of 5.91 per cent. "There even seem to be some anticipations of a second rate cut to follow," said Mr Richardson.

■ US Treasury prices came under pressure for the fourth consecutive session yesterday as bonds continued to give back most of the gains made late last week.

Near midday, the benchmark 30-year Treasury was unchanged at 93$\frac{31}{32}$ to yield 6.455 per cent, while at the short end of the maturity spectrum the two-year note lost $\frac{1}{32}$ at 99$\frac{15}{32}$, pushing the yield to 5.395 per cent. Selling continued to be strongest in the middle of the maturity spectrum, where 10-year notes slipped $\frac{3}{32}$ to 96⅝, to yield 6.073, and three-year notes were ⅛ lower at 98$\frac{15}{32}$, yielding 5.512.

Mr Richard Gilhooly, international bond strategist at Paribas Capital Markets in New York, said that medium-term securities, particularly the three-year note, had been under tremendous pressure this week as Asian central banks sold, and hedge funds unwound, their yen-financed positions in the Treasury market.

Trading was relatively quiet yesterday as investors awaited figures on February employment, which are due to be released today.

The market took little notice of the progress made yesterday toward a short-term raising of the ceiling on government debt, which would allow the administration to service its debt until the end of March. A bill allowing the Treasury to continue borrowing until March 29 was approved yesterday morning by the House of Representatives.

■ Spanish bonds added to Wednesday's gains, supported by the strength of the peseta. The March future on 10-year Bonos settled at 94.76, up 0.54. J. P. Morgan, which advised investors to cut their weighting in Spanish equities from "overweight" to "neutral" earlier this week, expects bonds to be "insulated from the political uncertainty".

As long as the currency remains strong and the inflation outlook favourable, "10-year yields could fall to around 9 or 9¼ per cent," said Mr Avinash Persaud, head of currency research at J. P. Morgan. The yield on the 10.15 per cent Bono due 2006 closed at 9.86 per cent; the spread over bunds narrowed to 350 basis points.

Euro clouds two derivative trades

By Samer Iskandar

Two of Europe's most actively traded financial derivatives face legal and technical challenges later this month.

On March 19, the London International Financial Futures and Options Exchange (Liffe) will start trading a three-month euromark contract maturing in March 1999 – a date which which could, in theory, put it in a single currency environment. Matif, the French exchange, is facing the same situation with its three-month Pibor contract.

At Liffe, the technical details are still being discussed. Since the euromark contract is based on short-term interest rates on the German currency – and this is destined to be fixed irrevocably to the euro, the new currency, as soon as January 1999 – the move to a single currency should be straightforward, as German interest rates are bound to converge gradually towards euro rates. Thus, instruments previously settled by reference to D-Marks will automatically be settled in Euros. Liffe, however, is adamant that any decision taken should match its members' wishes.

The board is expected to consider the issue again at a full meeting scheduled for Monday. The more sensitive issue of the legal wording of the contract will require longer consultations, but should be resolved before March 19.

According to Matif, monetary union "will not alter the legal continuity of the contract – after the beginning of phase three of the Emu, the French franc three-month rate used today will be *de facto* a euro three-month Pibor rate". However, this does not exclude the possibility of further adjustments to the contract specifications, such as a change in the underlying amount. These will be examined at a later stage.

Argentina plans longest S American D-Mark deal

By Conner Middelmann and Samer Iskandar

The Republic of Argentina is about to issue the longest-dated D-Mark eurobond for a Latin American borrower.

It plans to issue DM500m of 10-year bonds within the next few days, and has appointed Deutsche Morgan Grenfell as the bookrunner. The bonds will be targeted mainly at continental European investors, who lapped up recent seven-year issues for Argentina, and at specialist funds.

While retail investors generally do not favour the 10-year maturity, the high coupon on the forthcoming deal – rumoured to be 11 per cent – should compensate them for the longer maturity, a dealer said.

Meanwhile, floating-rate notes remained in favour amid continued nervousness in fixed-rate markets.

The largest offering was a DM750m issue of seven-year floating-rate notes for CCCI, the financing arm of Crédit Immobilier de France. CCCI's decision to issue D-Mark bonds might seem surprising, given that it does not accept any currency risk and currency swap conditions are rather tight.

INTERNATIONAL BONDS

However, Mr Arnand Scuderoni, CCCI financial director, said: "After a long absence, we wanted to establish a new benchmark in D-Marks. BNP, which participated in the issue, offered an attractive rate since they were carrying the opposite leg of the trade from a German borrower who had issued in French francs and swapped into D-Marks." The net cost of borrowing came out at around 25 basis points above Pibor, the same level that CCCI achieved on its last 10-year French franc issue.

China Merchants Holdings, a Chinese group with interests in shipping, trade, finance and tourism, made its eurobond debut with $120m of five-year floating-rate notes yielding 110 basis points over Libor at the issue price. The issue has a support agreement from the ministry of communications, lead LTCB International said.

Another floater surfaced for Moscow Narodny Finance, the funding arm of the trade financing bank of Russia's central bank, but which is based in the UK and regulated by the Bank of England. It issued $75m of three-year floating-rate notes yielding 250 basis points over Libor at the issue price.

The bank has a BBB- rating from IBCA and carries a 20 per cent risk weighting under BIS guidelines. This attracted some buying from financial institutions across Europe, lead manager CS First Boston said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Federal Home Loan Mtg Corp(a)	500	5.80#	99.84R	Mar 1999	0.15R	+34(5%-99)	Salomon Brothers Intl
SocGen Australia‡	300	(b)	100.00R	Apr 1997	0.0625R	-	SGST Securities
China Merchants Holdings‡	120	(c)	100.00R	Mar 2001	0.50R	-	LTCB International
Moscow Narodny Finance‡	75	(d)	96.00	Mar 1999	0.75	-	CS First Boston
D-MARKS							
CCCI‡	750	(e)	99.74R	Apr 2003	0.20R	-	CSFB/Deutsche MG
YEN							
Sakura Capital Funding(f)•‡	20bn	(f1)	100.00	undated	0.30	-	Sakura Finance Intl
SWISS FRANCS							
San El Ing(Cayman Islands)•‡	114.2	0.125	101.50	Mar 1999	1.50	-	SBC Warburg
WestLB Finance(g)•‡	100	3.50	102.50	Oct 1999	1.375	-	SBC Warburg
GUILDERS							
BNG	750	5.25	99.15R	Mar 2001	0.25R	flat(6¼%-01)	ABN Amro/SBC Warburg
ITALIAN LIRE							
World Bank(h)	200bn	9.65	101.17	Apr 1999	1.25	-	BNL/San Paolo, Turin
PESETAS							
European Investment Bank	15bn	9.40	101.42	Apr 2003	1.75	-	BSN/SBC Warburg

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. •Unlisted. [illegible]

SBC tops sell-off table

By Antonia Sharpe

SBC Warburg tops the 1995 league table of financial advisers on privatisations, in terms of the value of completed transactions, according to a survey by the magazine Privatisation International.

Although N. M. Rothschild worked on more privatisations around the world last year – 60 compared with SBC Warburg's 45 – the Swiss bank group's completed transactions were worth $27.3bn compared with $12.5bn. Arch-rival Goldman Sachs came second, with 28 transactions valued at $23.4bn, while CS First Boston was third with 33 transactions valued at $22bn.

SBC Warburg also led the field in privatisations in so-called mature markets – those of leading industrialised countries – with 33 transactions valued at $25.1bn.

In eastern Europe and the former Soviet Union, Austria's Creditanstalt was involved in the most transactions – 51 – but they only had a value of $1.1bn, compared with the 33 transactions worth $2.4bn notched up by European Privatisation and Investment Corp, a specialist consultancy.

Deutsche Morgan Grenfell did the most privatisation business in terms of value in Asia (four transactions worth $2.4bn) and in Latin America (two worth $814m).

Coopers & Lybrand dominated the accountancy firms which advise on privatisations, with 397 transactions worth $21.5bn, while Sullivan & Cromwell was the leading law firm with 17 transactions worth $20.2bn.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	108.4400	-1.410	8.72	8.78	8.11
Austria		6.125	02/06	97.5200	+0.030	6.47	6.51	6.21
Belgium		7.000	05/06	101.5000	-0.300	6.78	6.86	6.39
Canada *		8.750	12/05	108.5300	-0.430	7.50	7.54	7.13
Denmark		8.000	03/06	103.4200	-0.260	7.50	7.62	7.14
France	BTAN	7.000	10/00	105.5000	-0.250	5.60	5.64	5.50
	OAT	7.250	03/06	104.6400	-0.340	6.60	6.68	6.44
Germany Bund		6.000	02/06	97.4200	-0.420	6.38	6.41	5.84
Ireland		8.000	08/06	101.2500	-0.350	7.81	7.91	7.35
Italy		9.500	02/06	95.5500	+0.300	10.22†	10.33	10.17
Japan	No 129	6.400	03/00	117.1200	-0.080	1.83	2.13	1.74
	No 182	3.000	03/05	98.3370	-0.250	3.22	3.38	2.94
Netherlands		6.000	01/06	97.4400	-0.360	6.35	6.40	5.95
Portugal		11.875	02/05	112.9000	-0.080	9.65	9.57	9.80
Spain		10.150	01/06	101.5700	+0.580	9.86	9.88	9.74
Sweden		6.000	02/05	83.0700	+0.950	8.82	8.84	8.45
UK Gilts		8.000	12/00	103-17	-7/32	7.10	7.27	6.78
		7.500	12/06	97-13	-9/32	7.66	8.01	7.47
		9.000	10/08	107-27	-10/32	8.00	8.14	7.84
US Treasury *		5.625	02/06	96-20	-10/32	6.08	6.15	5.67
		6.000	02/26	93-30	-10/32	6.46	6.51	5.07
ECU (French Govt)		7.500	04/05	103.6000	+0.480	6.92	7.24	6.87

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	5.07	Two year	5.41
Broker loan rate	7	Two month	5.04	Three year	5.54
Fed funds	5¼	Three month	5.02	Five year	5.73
Fed funds at intervention	·	Six month	5.07	10-year	6.09
		One year	5.15	30-year	6.46

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Apr	May	Jun	Sep	PUTS Apr	May	Jun	Sep
9650	0.68	1.04	1.26	1.24	0.52	[illegible]	[illegible]	[illegible]
9700	0.40	0.78	1.00	1.02	0.78	[illegible]	[illegible]	[illegible]
9750	0.22	0.57	0.77	0.82	1.08	[illegible]	[illegible]	[illegible]

Est. vol. total. Calls 17868 Puts 14738. Previous day's open int. [illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar treads water ahead of US labour report

By Philip Gawith

Foreign exchange markets had a quiet day yesterday with most market participants choosing to stay on the sidelines ahead of the US jobs report today.

The dollar held onto the overnight gains made during Asian trading in the European morning, but then started to slip as dealers closed out positions before the London close. After trading around DM1.4850, it closed at DM1.4789, from DM1.475.

In Europe, the feature of the day was interest rate cuts in France and Norway. The Bank of France cut its intervention rate to 3.8 per cent, from 3.9 per cent, while the Norwegian central bank cut its deposit rate to 4.5 per cent, from 4.75 per cent.

The French franc rose to a six week high against the D-Mark, of FFr3.4214, after the cut, before retreating to finish at FFr3.423.

The main statistical release of the day was the 0.5 per cent drop in German GDP in the fourth quarter, which encouraged hopes of further interest rate cuts in Europe.

The South African rand suffered a slight reversal, despite President Mandela being released from hospital with a clean bill of health after two days of tests. It finished at R3.915 against the dollar, from R3.8785.

Mr Chris Stals, governor of the Reserve Bank, said the bank had spent $1.38bn on intervention to support the rand in the last two weeks of February.

■ Although the dollar finished softer in Europe, some of the bullish sentiment evident at the start of the year has returned. The fortnightly IDEA survey, of 28 trading houses in the main centres, found that the market was more bullish on all time horizons.

"The return of German easing expectations, the relief that Japanese rates may not be increasing in the near-term and the removal of Fed easing expectations from the front end of the curve were cited as the major bullish factors," the survey found.

Mr Jonathan Griggs, economist at Barclays in London, said the heavy intervention by the Bank of Japan "changed the market psychology in that there are not many people who think the dollar will test Y100 on a three month horizon."

The general reluctance on the part of both companies and institutions to take substantial long dollar positions, despite the bullish mood, may reflect their existing high dollar exposure. The IDEA survey found respondents were 67 per cent overweight the dollar.

Source: FT Extel

Mr Peter Farley, currency analyst at MMS in London, said a lot would turn on the dollar's response to the jobs report today. He noted that in recent days the dollar had decoupled from the US Treasury market, holding out the prospect that the dollar could rally on a strong report, even if bond prices fell. "An economic recovery story could be good for the dollar," said Mr Farley.

■ The market's gradual return to a stronger dollar/lower German rates view was helped by comments from Mr Hans Tietmeyer, the Bundesbank president. Briefing the media, he said: "I see no change upward in rates. I see no reason for a move upward." He said it was a mistake to look at the fixed-rate repo as the start of an upward move in interest rates.

Mr David Cocker, economist at Chemical Bank in London, said: "Generally, there is a lethargy in the cross European markets, which is likely to remain as long as the outlook on the date of starting a single currency is uncertain. The market cannot seem to make its mind up between the optimistic rumblings of politicians that suggest all is well for meeting the Maastricht criteria in 1997, and the hard economic evidence that suggests it is not."

He said that the budget season in Autumn would provide an impetus for change, with D-Mark strength the likely outcome.

■ UK markets will be poised this morning to see whether a rate cut was agreed at the monthly monetary meeting yesterday. Mr Stephen Lewis of the London Bond Broking company warned that Mr Kenneth Clarke, the chancellor, might prefer to keep his powder dry, delaying a rate cut to closer to a May 1997 election.

But Mr Griggs of Barclays said: "I would be very surprised if the chancellor foregoes an opportunity to cut rates into a market that is very much expecting it."

■ Pound in New York

Mar 7	—Latest—	— Prev. close —
£ spot	1.5305	1.5295
1 mth	1.5295	1.5286
3 mth	1.5277	1.5269
1 yr	1.5195	1.5184

■ OTHER CURRENCIES

Mar 7	£	$
Czech Rp	41.8844 - 41.6235	27.1930 - 27.2030
Hungary	218.121 - 218.280	142.620 - 142.850
Iran	4590.30 - 4596.80	3000.00 - 3000.00
Kuwait	0.4575 - 0.4580	0.2991 - 0.2993
Poland	3.9311 - 3.9354	2.5700 - 2.5720
Russia	7389.50 - 7396.50	4831.00 - 4834.00
U.A.E.	5.6175 - 5.6202	3.6725 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Mar 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.8106	+0.0469	033 - 179	15.8429	15.6991	15.8806	2.3	15.7981	2.6	-	-	105.8
Belgium	(BFr)	46.4868	+0.1269	816 - 120	46.5870	46.2760	46.3918	2.7	46.1018	2.6	45.3318	2.5	108.1
Denmark	(DKr)	8.7365	+0.0251	355 - 430	8.7326	8.7177	8.7273	1.6	8.7072	1.5	8.6011	1.6	109.0
Finland	(FM)	7.0345	+0.0143	277 - 412	7.0460	7.0180	7.0301	0.8	7.0221	0.7	-	-	83.8
France	(FFr)	7.7464	+0.0256	436 - 490	7.7688	7.7376	7.7335	2.0	7.7126	1.7	7.625	1.6	109.4
Germany	(DM)	2.2626	+0.0067	815 - 836	2.2679	2.2562	2.2572	2.8	2.2471	2.7	2.2045	2.6	110.1
Greece	(Dr)	369.588	+1.009	414 - 718	370.448	368.484	-	-	-	-	-	-	65.3
Ireland	(I£)	0.9732	+0.0006	724 - 740	0.9748	0.9718	0.9722	1.2	0.9708	1.0	0.9687	0.7	97.6
Italy	(L)	2392.87	+3.93	205 - 326	2393.79	2380.04	2399.22	-3.8	2405.87	-3.9	2464.72	-3.4	74.2
Luxembourg	(LFr)	46.4868	+0.1269	816 - 120	46.5870	46.2760	46.3918	2.7	46.1018	2.6	45.3318	2.5	108.1
Netherlands	(Fl)	2.5333	+0.0077	321 - 345	2.5403	2.5281	2.5272	2.9	2.5151	2.9	2.4688	2.6	108.2
Norway	(NKr)	9.8389	+0.0185	327 - 451	9.8441	9.8000	9.8339	0.6	9.8176	0.9	9.7668	0.8	98.8
Portugal	(Es)	234.656	+0.651	590 - 733	235.282	234.186	235.081	-2.2	235.866	-2.3	-	-	95.1
Spain	(Pta)	190.489	-0.122	389 - 589	191.815	190.470	190.909	-2.6	191.764	-2.7	194.844	-2.3	81.8
Sweden	(SKr)	10.3812	-0.0026	718 - 906	10.4085	10.3718	10.3926	-0.2	10.3856	-0.2	10.364	-0.1	87.0
Switzerland	(SFr)	1.8378	+0.0029	370 - 386	1.8429	1.8368	1.831	4.5	1.8179	4.3	1.7657	3.9	113.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.7
Ecu	-	1.2196	+0.0024	189 - 202	1.2218	1.2179	1.2182	1.4	1.2155	1.3	1.2036	1.3	-
SDR†	-	1.044900	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5297	+0.0005	293 - 301	1.5301	1.5230	-	-	-	-	-	-	-
Brazil	(R$)	1.5056	+0.0018	053 - 059	1.5059	1.4977	-	-	-	-	-	-	-
Canada	(C$)	2.0983	+0.0019	975 - 990	2.0990	2.0821	2.0986	0.9	2.0939	0.8	2.084	0.7	83.8
Mexico	(New Peso)	11.5870	+0.0275	821 - 936	11.6059	11.5443	-	-	-	-	-	-	-
USA	($)	1.5299	+0.0005	296 - 301	1.5302	1.5230	1.5289	0.8	1.5272	0.7	1.519	0.7	95.6
Pacific/Middle East/Africa													
Australia	(A$)	2.0051	-0.0023	034 - 067	2.0067	1.9940	2.007	-1.1	2.0118	-1.3	2.0351	-1.5	89.1
Hong Kong	(HK$)	11.8310	+0.0044	267 - 333	11.8333	11.7769	11.8205	1.1	11.8082	0.8	11.7631	0.6	-
India	(Rs)	52.0150	-0.09	240 - 059	52.4059	51.8720	-	-	-	-	-	-	-
Israel	(Shk)	4.7400	-0.0013	352 - 447	4.7447	4.7098	-	-	-	-	-	-	-
Japan	(Y)	161.109	+0.107	021 - 196	161.210	160.810	160.339	5.7	158.844	5.6	152.979	5.0	138.0
Malaysia	(M$)	3.8843	+0.0026	829 - 857	3.8857	3.8689	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2782	+0.0063	771 - 792	2.2752	2.2583	2.277	-2.0	2.2902	-3.0	2.324	-2.2	105.3
Philippines	(Peso)	40.0056	+0.0131	226 - 886	40.0886	39.9236	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7377	+0.0022	365 - 389	5.7398	5.7120	-	-	-	-	-	-	-
Singapore	(S$)	2.1551	+0.0041	540 - 562	2.1577	2.1523	-	-	-	-	-	-	-
South Africa	(R)	5.9894	+0.0563	846 - 942	5.9942	5.8005	-	-	-	-	-	-	-
South Korea	(Won)	1190.61	+1.31	093 - 068	1190.86	1185.20	-	-	-	-	-	-	-
Taiwan	(T$)	42.0702	+0.0136	625 - 778	42.0780	41.8825	-	-	-	-	-	-	-
Thailand	(Bt)	38.5675	+0.0248	469 - 881	38.5881	38.4050	-	-	-	-	-	-	-

† Rates for Mar 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.4001	+0.0272	970 - 032	10.4540	10.3930	10.3841	1.8	10.3526	1.8	10.2301	1.6	105.8
Belgium	(BFr)	30.3800	-0.073	880 - 990	30.5250	30.3450	30.348	1.8	30.256	1.8	29.823	1.5	107.8
Denmark	(DKr)	5.7125	+0.0145	110 - 140	5.7420	5.7104	5.7091	0.7	5.7035	0.6	5.72	-0.1	108.4
Finland	(FM)	4.5982	+0.0079	945 - 018	4.6220	4.5910	4.5937	1.2	4.5852	1.1	4.5687	0.6	83.1
France	(FFr)	5.0635	+0.015	626 - 644	5.0900	5.0575	5.0583	1.2	5.0508	1.0	5.0215	0.8	109.0
Germany	(DM)	1.4789	+0.0031	786 - 793	1.4865	1.4772	1.4764	2.0	1.4705	1.5	1.4518	1.8	109.5
Greece	(Dr)	241.570	+0.59	510 - 630	242.710	241.210	243.145	-7.8	246.395	-8.0	261.07	-8.1	65.8
Ireland	(I£)	1.5720	-0.0005	710 - 730	1.5731	1.5655	1.5723	-0.2	1.5725	-0.1	1.5665	0.3	-
Italy	(L)	1564.03	+2.08	730 - 080	1566.00	1555.85	1565.8	-1.4	1575.55	-4.6	1628.45	-4.4	73.7
Luxembourg	(LFr)	30.3800	-0.073	880 - 990	30.5250	30.3450	30.341	2.1	30.253	1.8	29.948	1.5	107.8
Netherlands	(Fl)	1.6558	+0.0045	554 - 564	1.6665	1.6550	1.6528	2.2	1.6483	2.3	1.6241	1.9	107.7
Norway	(NKr)	6.4313	+0.01	283 - 343	6.4660	6.4173	6.4281	0.6	6.4208	0.7	6.4079	0.4	96.1
Portugal	(Es)	153.385	+0.31	360 - 410	154.220	153.280	153.785	-3.0	154.53	-3.0	159.135	-3.1	95.2
Spain	(Pta)	124.515	-0.12	470 - 560	125.800	124.470	124.91	-3.8	125.645	-3.6	129.135	-3.7	81.2
Sweden	(SKr)	6.7857	-0.0452	807 - 907	6.8317	6.7773	6.8028	-2.6	6.8335	-2.8	6.9807	-2.7	85.0
Switzerland	(SFr)	1.2013	+0.0015	010 - 016	1.2066	1.2005	1.1978	3.7	1.1905	3.6	1.1626	3.2	113.1
UK	(£)	1.5298	+0.0005	296 - 301	1.5302	1.5230	1.5289	0.8	1.5272	0.7	1.519	0.7	83.1
Ecu	-	1.2544	-0.002	540 - 549	1.2549	1.2490	1.2548	-0.3	1.2551	-0.2	1.2566	-0.1	-
SDR†	-	0.68350	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 000	1.0000	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	0.9842	+0.0006	841 - 842	0.9846	0.9835	-	-	-	-	-	-	-
Canada	(C$)	1.3716	+0.0008	713 - 718	1.3740	1.3650	1.3718	-0.1	1.3719	-0.1	1.3769	-0.4	82.9
Mexico	(New Peso)	7.5745	-0.0205	720 - 770	7.5830	7.5780	7.5767	-0.4	7.5798	-0.3	7.5848	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3106	-0.0018	098 - 115	1.3115	1.3098	1.3126	-1.8	1.3161	-1.7	1.3348	-1.8	89.0
Hong Kong	(HK$)	7.7335	+0.0004	332 - 337	7.7337	7.7327	7.7343	-0.1	7.736	-0.1	7.763	-0.4	-
India	(Rs)	34.0000	-0.07	500 - 500	34.2500	33.7580	34.15	-5.3	34.455	-5.4	35.825	-5.7	-
Israel	(Shk)	3.0983	+0.0019	957 - 008	3.1075	3.0864	-	-	-	-	-	-	-
Japan	(Y)	105.310	+0.085	270 - 350	105.860	105.270	104.875	5.0	104.075	4.7	101.005	4.1	138.4
Malaysia	(M$)	2.5390	+0.001	385 - 395	2.5415	2.5380	2.5306	-0.4	2.548	-1.1	2.5895	-1.2	-
New Zealand	(NZ$)	1.4890	+0.0038	848 - 870	1.4815	1.4848	1.489	-2.5	1.4949	-2.4	1.5164	-2.3	-
Philippines	(Peso)	26.1500	-	000 - 000	26.2000	26.1000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0002	503 - 507	3.7507	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4087	-0.0031	082 - 092	1.4135	1.4082	1.4052	3.0	1.3982	2.7	1.3737	2.5	-
South Africa	(R)	3.9150	+0.0355	125 - 175	3.9200	3.9160	3.9438	-8.8	3.9952	-8.2	4.2185	-7.8	-
South Korea	(Won)	778.250	+0.8	200 - 300	779.000	777.800	781.25	-4.8	784.75	-3.3	803.25	-3.2	-
Taiwan	(T$)	27.4995	-	980 - 000	27.5000	27.499	27.5195	-0.8	27.5595	-0.8	-	-	-
Thailand	(Bt)	25.2100	+0.008	000 - 200	25.2200	25.2000	25.3087	-4.7	25.5125	-4.8	26.395	-4.7	-

† SDR rate per $ for Mar 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 6: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

March 7	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.80	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.90	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.89
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.72
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]			
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]			
US Dollar CDs	-	4.82	4.86	4.91	4.99			
week ago	-	4.82	4.91	4.94	5.02			
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]			
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]			
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]			
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]			

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 7	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$3\frac{11}{32}$ - $3\frac{7}{32}$	$3\frac{11}{32}$ - $3\frac{7}{32}$	$3\frac{11}{32}$ - $3\frac{1}{4}$	$3\frac{11}{32}$ - $3\frac{1}{4}$	$3\frac{11}{32}$ - $3\frac{1}{4}$	$3\frac{7}{16}$ - $3\frac{11}{32}$
Danish Krone	$4\frac{5}{16}$ - $3\frac{31}{32}$	$4\frac{3}{16}$ - 4	$4\frac{3}{8}$ - $4\frac{1}{8}$	$4\frac{3}{8}$ - $4\frac{1}{8}$	$4\frac{13}{32}$ - $4\frac{3}{16}$	$4\frac{1}{2}$ - $4\frac{3}{16}$
D-Mark	$3\frac{7}{16}$ - $3\frac{5}{16}$	$3\frac{3}{8}$ - $3\frac{1}{4}$	$3\frac{11}{32}$ - $3\frac{7}{32}$	$3\frac{5}{16}$ - $3\frac{1}{4}$	$3\frac{3}{8}$ - $3\frac{7}{32}$	$3\frac{11}{32}$ - $3\frac{5}{16}$
Dutch Guilder	$3\frac{1}{4}$ - $3\frac{1}{8}$	$3\frac{1}{4}$ - $3\frac{1}{8}$	$3\frac{3}{16}$ - $3\frac{1}{8}$	$3\frac{3}{32}$ - $3\frac{3}{32}$	$3\frac{3}{16}$ - $3\frac{3}{32}$	$3\frac{1}{4}$ - $3\frac{5}{32}$
French Franc	$4\frac{5}{16}$ - $4\frac{1}{16}$	$4\frac{1}{8}$ - 4	$4\frac{3}{16}$ - $4\frac{1}{16}$	$4\frac{7}{32}$ - $4\frac{3}{32}$	$4\frac{11}{32}$ - $4\frac{3}{16}$	$4\frac{3}{8}$ - $4\frac{1}{4}$
Portuguese Esc.	8 - $7\frac{13}{16}$	$7\frac{15}{16}$ - $7\frac{13}{16}$	8 - $7\frac{27}{32}$	8 - $7\frac{27}{32}$	8 - $7\frac{27}{32}$	8 - $7\frac{27}{32}$
Spanish Peseta	$8\frac{27}{32}$ - $7\frac{3}{4}$	$8\frac{27}{32}$ - $8\frac{23}{32}$	$8\frac{25}{32}$ - $8\frac{21}{32}$	$8\frac{5}{8}$ - $8\frac{7}{16}$	$8\frac{17}{32}$ - $8\frac{13}{32}$	$8\frac{15}{32}$ - $8\frac{11}{32}$
Sterling	$6\frac{1}{4}$ - $6\frac{1}{8}$	$6\frac{1}{4}$ - $6\frac{1}{8}$	$6\frac{1}{8}$ - $6\frac{1}{16}$	$6\frac{1}{16}$ - $6\frac{1}{32}$	$6\frac{1}{32}$ - $5\frac{31}{32}$	$6\frac{1}{8}$ - $6\frac{1}{16}$
Swiss Franc	$1\frac{15}{32}$ - $1\frac{11}{32}$	$1\frac{13}{32}$ - $1\frac{11}{32}$	$1\frac{3}{4}$ - $1\frac{5}{8}$	$1\frac{3}{4}$ - $1\frac{5}{8}$	$1\frac{3}{4}$ - $1\frac{5}{8}$	$1\frac{7}{8}$ - $1\frac{3}{4}$
Can. Dollar	$5\frac{3}{8}$ - $5\frac{3}{32}$	$5\frac{1}{4}$ - $5\frac{1}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{7}{16}$ - $5\frac{5}{16}$
US Dollar	$5\frac{1}{4}$ - $5\frac{1}{8}$	$5\frac{1}{4}$ - $5\frac{1}{8}$	$5\frac{1}{4}$ - $5\frac{1}{8}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{1}{4}$ - $5\frac{1}{16}$
Italian Lira	$10\frac{1}{4}$ - $9\frac{1}{4}$	$9\frac{3}{4}$ - $9\frac{5}{8}$	$9\frac{15}{16}$ - $9\frac{13}{16}$	$9\frac{15}{16}$ - $9\frac{13}{16}$	$9\frac{1}{2}$ - $9\frac{3}{8}$	$9\frac{3}{8}$ - $9\frac{1}{4}$
Yen	$\frac{3}{8}$ - $\frac{1}{4}$	$\frac{15}{32}$ - $\frac{11}{32}$	$\frac{7}{16}$ - $\frac{5}{16}$	$\frac{9}{16}$ - $\frac{7}{16}$	$\frac{11}{16}$ - $\frac{19}{32}$	$\frac{13}{16}$ - $\frac{5}{8}$
Asian $Sing	$1\frac{5}{8}$ - $1\frac{1}{2}$	$1\frac{13}{16}$ - $1\frac{11}{16}$	2 - $1\frac{7}{8}$	$2\frac{1}{8}$ - 2	$2\frac{3}{8}$ - $2\frac{3}{16}$	$2\frac{3}{4}$ - $2\frac{5}{8}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.74	95.71	+0.05	95.74	95.69	15,899	44,565
Jun	95.73	95.69	+0.03	95.73	95.67	10,680	57,773
Sep	95.73	95.65	-0.01	95.73	95.64	7,193	49,542

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.68	96.68	-	96.69	96.67	14718	136604
Jun	96.81	96.81	-0.01	96.83	96.78	24397	212991
Sep	96.69	95.72	-0.01	96.73	96.67	18093	208909
Dec	96.47	96.49	-0.02	96.49	96.44	32171	188891

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.30	90.37	+0.02	90.38	90.30	5501	31975
Jun	90.88	90.97	+0.06	90.97	90.85	9384	34530
Sep	91.17	91.26	+0.05	91.28	91.17	2653	20048
Dec	91.23	91.31	+0.04	91.31	91.23	1395	13832

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.25	98.29	+0.05	98.29	98.24	1074	20270
Jun	98.18	98.21	+0.05	98.22	98.15	4746	25066
Sep	97.98	98.02	+0.03	98.05	97.97	1657	12068
Dec	97.70	97.74	+0.02	67.78	67.69	801	8590

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.41	95.40	-0.01	95.42	95.38	1057	6650
Jun	95.53	95.52	-0.02	95.54	95.51	872	5912
Sep	95.48	95.47	-0.02	95.48	95.45	365	3241
Dec	95.28	95.28	-0.02	95.28	95.24	358	3145

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9025	0.18	0.67	1.22	0.06	0.15	0.21
9050	0.06	0.66	1.02	0.19	0.18	0.26
9075	0.01	0.49	0.84	0.39	0.27	0.33

Est. vol. total, Calls 425 Puts 0. Previous day's open int., Calls 28628 Puts 22432

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.80	16.66	4.868	2.093	5124	5.449	21.16	504.6	409.8	22.33	3.951	2.151	4.513	3.290	346.3	2.622
Denmark	(DKr)	53.20	10	8.864	2.590	1.113	2726	2.899	11.26	268.5	218.0	11.88	2.102	1.144	2.401	1.750	184.3	1.395
France	(FFr)	60.02	11.28	10	2.922	1.256	3075	3.270	12.70	302.9	245.9	13.40	2.372	1.291	2.708	1.974	208.0	1.574
Germany	(DM)	20.54	3.862	3.423	1	0.430	1053	1.118	4.349	103.7	84.16	4.587	0.812	0.442	0.927	0.676	71.18	0.539
Ireland	(I£)	47.78	8.982	7.961	2.326	1	2448	2.603	10.11	241.1	195.8	10.67	1.888	1.028	2.156	1.571	165.6	1.253
Italy	(L)	1.952	0.367	0.325	0.095	0.041	100.	0.106	0.413	9.849	7.997	0.436	0.077	0.042	0.088	0.064	6.764	0.051
Netherlands	(Fl)	18.35	3.450	3.058	0.893	0.384	940.4	1	3.884	92.62	75.21	4.098	0.725	0.395	0.828	0.604	63.60	0.481
Norway	(NKr)	47.25	8.882	7.873	2.300	0.989	2421	2.575	10	238.5	193.6	10.55	1.867	1.016	2.132	1.554	163.7	1.239
Portugal	(Es)	19.82	3.725	3.302	0.965	0.416	1015	1.080	4.194	100.	81.20	4.425	0.783	0.426	0.894	0.652	68.67	0.520
Spain	(Pta)	24.40	4.587	4.066	1.188	0.511	1250	1.330	5.165	123.1	100.	5.448	0.964	0.525	1.101	0.803	84.57	0.640
Sweden	(SKr)	44.79	8.418	7.462	2.180	0.937	2295	2.440	9.479	226.0	183.5	10	1.770	0.963	2.021	1.473	155.2	1.174
Switzerland	(SFr)	25.31	4.757	4.217	1.232	0.530	1297	1.379	5.356	127.7	103.7	5.651	1	0.544	1.142	0.832	87.70	0.664
UK	(£)	46.49	8.739	7.746	2.263	0.973	2382	2.533	9.839	234.6	190.5	10.38	1.837	1	2.098	1.529	161.1	1.219
Canada	(C$)	22.18	4.165	3.692	1.079	0.464	1135	1.207	4.690	111.8	90.80	4.948	0.876	0.477	1	0.729	76.79	0.581
US	($)	30.41	5.716	5.066	1.480	0.636	1558	1.657	6.435	153.4	124.6	6.789	1.201	0.654	1.372	1	105.4	0.797
Japan	(Y)	28.86	5.425	4.808	1.405	0.604	1479	1.572	6.107	145.6	118.2	6.443	1.140	0.621	1.302	0.949	100.	0.757
Ecu		38.14	7.169	6.354	1.856	0.798	1954	2.078	8.071	192.5	156.3	8.515	1.507	0.820	1.721	1.254	132.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6770	0.6754	-0.0028	0.6756	0.6738	12,007	60,942
Jun	0.6803	0.6788	-0.0025	0.6789	0.6771	4,806	12,461
Sep	0.6805	0.6805	-0.0041	0.6805	0.6805	64	1,678

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8329	0.8320	-0.0022	0.8320	0.8300	5,921	31,685
Jun	0.8378	0.8382	-0.0022	0.8382	0.8374	1,059	8,330
Sep	0.8448	0.8448	-0.0084	0.8448	0.8448	3	284

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9511	0.9489	-0.0029	0.9500	0.9489	12,188	48,824
Jun	0.9603	0.9604	-0.0024	0.9611	0.9590	5,624	19,327
Sep	-	0.9720	-	0.9723	0.9720	98	974

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5272	1.5284	-0.0008	1.5284	1.5228	5,882	40,702
Jun	1.5212	1.5260	-0.0002	1.5260	1.5220	948	13,083
Sep	-	1.5220	-	-	1.5210	2	15

UK INTEREST RATES

LONDON MONEY RATES

Mar 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	$7\frac{1}{4}$ - $6\frac{3}{8}$	$6\frac{1}{4}$ - $6\frac{1}{8}$	$6\frac{1}{8}$ - e	$6\frac{1}{8}$ - e	$6\frac{1}{16}$ - $5\frac{15}{16}$	$6\frac{1}{8}$ - e
Sterling CDs	-	-	$6\frac{3}{16}$ - $6\frac{1}{8}$	$6\frac{1}{16}$ - e	e - $5\frac{15}{16}$	$6\frac{1}{16}$ - $5\frac{15}{16}$
Treasury Bills	-	-	$6\frac{1}{8}$ - $6\frac{1}{16}$	$5\frac{31}{32}$ - $5\frac{15}{16}$	-	-
Bank Bills	-	-	$6\frac{1}{8}$ - $6\frac{1}{16}$	$5\frac{31}{32}$ - $5\frac{29}{32}$	$5\frac{29}{32}$ - $5\frac{27}{32}$	-
Local authority deps.	$6\frac{5}{16}$ - $6\frac{1}{16}$	$6\frac{5}{16}$ - $6\frac{1}{16}$	$6\frac{1}{4}$ - $6\frac{3}{16}$	$6\frac{1}{8}$ - $6\frac{1}{16}$	$6\frac{1}{16}$ - $5\frac{15}{16}$	$6\frac{1}{16}$ - $5\frac{15}{16}$
Discount Market deps	7 - $6\frac{1}{4}$	$6\frac{1}{2}$ - $6\frac{3}{8}$	-	-	-	-

UK clearing bank base lending rate $6\frac{1}{4}$ per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$2\frac{1}{2}$	$5\frac{1}{2}$	5	5	$4\frac{3}{4}$

Certs of Tax dep. under £100,000 is $2\frac{1}{2}$pc. Deposits withdrawn for cash $1\frac{1}{2}$pc. Ave. tender rate of discount 5.9280pc. ECGD fixed rate Stg. Export Finance. Make up day Feb 29, 1996. Agreed rate for period Mar 26, 1996 to Apr 23, 1996, Scheme II & III 7.48pc. Reference rate for period Feb 1, 1996 to Feb 29, 1996, Scheme IV & V 6.238pc. Finance House Base Rate 6.5pc from March 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.93	93.93	-	93.95	93.92	9249	59118
Jun	94.12	94.09	-0.04	94.13	94.07	19535	69264
Sep	94.11	94.04	-0.07	94.11	94.00	15904	52419
Dec	93.87	93.81	-0.06	93.88	95.77	9238	44153
Mar	93.54	93.48	-0.06	93.54	93.43	2420	32292

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9375	0.10	0.39	0.47	0.01	0.05	0.18
9400	0.03	0.21	0.31	0.10	0.12	0.27
9425	0	0.09	0.19	0.32	0.25	0.40

Est. vol. total, Calls 8861 Puts 9535. Previous day's open int., Calls 159303 Puts 158477

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.25
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	●Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs.	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25	* In administration	
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

EMS EUROPEAN CURRENCY UNIT RATES

Mar 7	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.645	-0.323	-1.75	4.62	12
Netherlands	2.15214	2.12123	+0.00037	-1.44	4.29	11
Belgium	39.3960	38.9437	+0.0057	-1.15	3.98	8
Austria	13.4383	13.3246	+0.0022	-0.85	3.67	6
Germany	1.91007	1.89486	+0.00024	-0.81	3.62	e
Portugal	195.792	196.516	+0	0.37	2.41	-2
Denmark	7.28580	7.31810	+0.0008	0.44	2.33	-3
France	6.40608	6.48668	+0.00427	1.26	1.51	-11
Ireland	0.792214	0.814305	-0.000684	2.79	0.00	-10
NON ERM MEMBERS						
Greece	292.867	309.506	+0.283	5.68	-2.74	-
Italy	2106.15	1983.81	+1.35	-6.33	8.58	-
UK	0.786652	0.836766	-0.001356	6.37	-3.37	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	Apr	May	PUTS Mar	Apr	May
1.500	2.74	2.97	3.38	0.05	0.34	0.75
1.510	1.84	2.25	2.70	0.12	0.50	1.07
1.520	1.02	1.59	2.15	0.20	0.84	1.47
1.530	0.43	1.05	1.64	0.61	1.31	1.97
1.540	0.11	0.66	1.22	1.22	1.91	2.51
1.550	-	0.37	0.88	2.08	2.57	3.15

Previous day's vol., Calls 998 Puts 3,992 . Prev. day's open int., Calls 192,930 Puts 195,946

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.71	94.71	-	94.72	94.70	40,562	305,726
Jun	94.87	94.84	-	94.87	94.83	81,226	401,057
Sep	94.85	94.80	-	94.84	94.80	108,236	342,891

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.20	95.20	-0.02	95.20	95.20	369	4,163
Jun	95.29	95.29	-	95.29	95.28	546	6,332
Sep	95.24	95.22	-0.11	95.24	95.22	154	1,773

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	Apr	May	Jun	PUTS Mar	Apr	May	Jun
9650	0.19	0.33	0.34	0.36	0.01	0.02	0.03	0.05
9675	0.02	0.13	0.15	0.16	0.09	0.07	0.09	0.10
9700	0	0.04	0.05	0.06	0.32	0.23	0.24	0.25

Est. vol. total, Calls 7800 Puts 287. Previous day's open int., Calls 393212 Puts 361422

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9825	0.07	0.15	0.18	0.03	0.19	0.39
9850	0.01	0.06	0.08	0.22	0.35	0.56
9875	0	0.02	0.04	0.48	0.56	0.77

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 8045 Puts 4674

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		612	-1	[illegible]	478½	5,304	6.8	18.5
Bulmer (HP)		582	—	582	398	298.7	2.7	17.0
Burn St Dist		119	-1	148	99	70.6	5.3	25.0
Grand Met		[illegible]	-4	487	368½	9,067	4.3	16.6
Guinness		470	-1	535	412	[illegible]	3.8	14.8
Highland		381		406	315	[illegible]	2.7	18.4
Kirin Y		744¼	[illegible]	[illegible]	621	7,[illegible]	0.8	28.6
Macallan-Glen		162	—	277	157	150.2	1.0	35.9
Macdon Martin A		635	—	[illegible]	600	87.9	2.1	17.8
Matthew Clark		[illegible]	+2	[illegible]	542	[illegible]	3.9	-
Merrydown		103	—	140	68	11.2	2.4	-
Seagram S		[illegible]	[illegible]	£25[illegible]	£16[illegible]	6,250	1.2	-

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cm 2nd Pf		[illegible]	—	50½	50½	6.31	19.8	-
Cater Allen		482	+5	525	424	150.6	8.1	7.8
Close Bros		379	—	392	234	462.8	3.0	10.7
Gerrard & Nat		416	—	472	395	[illegible]	6.8	13.4
Hambros		215	—	228	180	[illegible]	4.4	-
7½pc Cv Pf		[illegible]	+½	107½	94	131.4	9.2	-
Joseph (L)		490	—	463	353	23.9	5.2	15.5
King & Shaxson		155	—	165	85	40.9	7.3	12.0
Rea Brothers		60	—	67	44	28.8	2.1	24.0
Schroders		1273	—	1478	953¼	1,822	1.4	18.1
N/V		1093	+3	1180	863½	441.3	1.8	14.3
Singer & Fried.		109	—	113	81	215.2	4.2	11.3
8½pc Cv Ln 09/14		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL - Cont.

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

PAPER, PACKAGING & PRINTING

RETAILERS, FOOD

TELECOMMUNICATIONS

AMERICANS

LIFE ASSURANCE

MEDIA

TEXTILES & APPAREL

RETAILERS, GENERAL

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£30½		£34½	£30½	2,035	2.6	15.9
Barlow		28½	-⅛	£10½	£5⅞	1,754	1.8	Φ
Gold Flds Prop R		150xd		170	136	15.3	8.7	7.1
NK Props.		63		95	85	3.42	12.6	-
SASOL	♥	838	+17	848	475	3,738	2.0	-
SA Brews		£23⅛	-⅛	£28⅛	£16⅝	6,811	1.4	33.0
Standard Bank	☐	£25¼		£32⅞	£20¾	3,444	1.5	21.0
Tiger Oats		1137	-13	1270	850	1,719	1.6	Φ
Tongaat-Hulett	†	1030		1247	672	875.8	1.8	20.8

TOBACCO

TRANSPORT

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

INVESTMENT COMPANIES

PHARMACEUTICALS

RETAILERS, GENERAL - Cont.

OIL, EXPLORATION & PRODUCTION

PROPERTY

WATER

SUPPORT SERVICES

AIM

OIL, INTEGRATED

OTHER FINANCIAL

LEISURE & HOTELS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other offical estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Lazard Fund Managers (CI) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Lazard Fund Managers (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

Rothschild Asset Mngmt (CI) Ltd

Royal Bank of Canada Intl Money Market Fd

Yamaichi Capital Mngt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

Bank of Cyprus Group

Federated International Funds Plc

The Fiduciary Trust Global Fund

Guinness Flight Select Funds Plc

Hambros Fund Managers (Ireland) Ltd

Henderson Crosthwaite Investment Co

LGT Asset Management Ltd

Morgan Grenfell Investment Funds Ltd

Swiss Life Investment Fund - Protean (u)

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Bank of Ireland Unit Managers Ltd

Baring International Fd Mgrs (Ireland) Ltd

GS Investment Fund (Ireland)

Gartmore Fund Managers Ireland Ltd

Korea Growth Fund Plc

Morgan Grenfell Fund Income Funds Plc

Old Mutual International (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mgrs

Bank of Ireland Asset Mngmt (IOM) Ltd

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

JERSEY (SIB RECOGNISED)

AIB Fund Mngrs (CI) Ltd

Barclays International Funds

Gartmore Fund Managers Intl Ltd (z)

Lloyds Bank (CI) U/T Mgrs

TSB Fund Managers (CI) Ltd

JERSEY (REGULATED)(**)

Bank of Scotland Fund Managers (Jersey) Ltd

INVESCO International Limited

Lombard Odier (Jersey) Ltd

Mercury Fund Managers (IoM) Ltd

Quilter Intl Mngt (IoM) Ltd

Sun Life Management (IoM) Ltd

LUXEMBOURG (SIB RECOGNISED)

Fidelity Funds (a)

Rothschild Asset Management

LUXEMBOURG (REGULATED)(**)

Asian International Umbrella Fund (a)

Alliance Capital

Banque Scandinave En Suisse

Fleming Flagship Fund

OFFSHORE INSURANCE

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demand

Issue plan hits shares in Thai Telecoms

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON STOCK EXCHANGE

MARKET REPORT

Equities on hold awaiting interest rate move

By Steve Thompson, UK Stock Market Editor

An element of doubt about the chances of a reduction in UK interest rates, plus a nervous performance by international bonds, kept London's equity market on the hop yesterday.

The market's premier benchmark, the FT-SE 100 index, moved in a relatively small arc yesterday, and was especially sensitive to worries that the regular monetary meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, might not, after all, see a reduction in rates.

"We've been banking on a rate cut of 25 basis points and the market will be very disappointed if nothing happens," said one senior trader. Analysts insisted a reduction would take place first thing this morning, or "if not then, soon afterwards," as one said.

There was no real help for the equity market from gilts, which settled around ⅛ lower on the session.

There was plenty of good news from Europe, however, where Ciba-Geigy and Sandoz, Switzerland's drug companies, confirmed Wednesday's rumours that a mega-merger was in the offing. The merger, which ignited the Swiss stock market, immediately saw investors focus on the bid potential for Zeneca, one of the leading global drug companies.

Zeneca shares climbed over 7 per cent, as international broking houses revived old stories that the company has a mouth-watering list of new drugs in the pipeline.

In the absence of the rate cut news, the market was left to fret and Footsie eventually settled marginally lower on the day, closing 0.7 off at 3,758.2, despite Zeneca's rise, which was worth just short of 6 points on the index.

The FT-SE Mid 250 index made further good progress, hitting a record close of 4,280.0, up 3.3, and was given a big lift by the 13 per cent upsurge in South West Water, which spearheaded a general advance by the sector after Wessex Water admitted it was seeking a merger. Any deal involving water companies automatically attracts the attentions of the Monopolies and Mergers Commission.

Rumblings about potential takeover activity in the water sector began to emerge last week, along with talk of further bids in the electricity stocks.

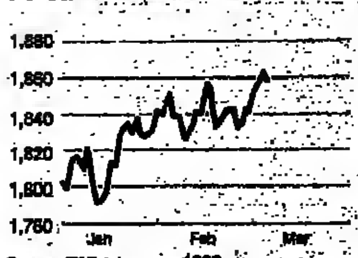
London kicked off the session on a quietly firm note but never looked liked moving into top gear; dealers said activity was always subdued and that the big institutions preferred to wait and see the outcome of the monetary meeting.

At the day's best, in mid-morning, the Footsie was some 10 points higher, but lacking conviction. Pockets of profit-taking and the market's general apathy dragged prices back over lunchtime and Wall Street's lacklustre opening did nothing for London's confidence.

The day's corporate results were generally positive; numbers from GKN, Rolls-Royce and Ladbroke were well up to scratch, but RTZ was a real disappointment.

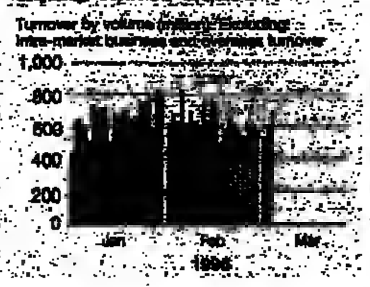
Turnover at 6pm reached 765m shares, with non-Footsie stocks accounting for 52 per cent. Retail business on Wednesday was worth £1.7bn.

FT-SE-A All-Share index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3758.2	-0.7	FT Ordinary Index	2794.1	-0.8
FT-SE Mid 250	4280.0	+3.3	FT-SE-A Non Fins p/e	17.34	(17.24)
FT-SE-A 350	1882.3	n/c	FT-SE100 Fut Mar	3766.0	+3.0
FT-SE-A All-Share	1858.98	+0.33	10 yr Gilt yield	7.85	(7.81)
FT-SE-A All-Share yield	3.76	(3.76)	Long gilt/equity yld ratio:	2.20	(2.19)

Best performing sectors

1. Engineering, Vehicles ... +2.1
2. Retailer, Food ... +1.9
3. Tobacco ... +1.4
4. Water ... +1.1
5. Oil, Integrated ... +0.9

Worst performing sectors

1. Banks, Retail ... -1.8
2. Extractive Inds ... -1.7
3. Electricity ... -0.5
4. Life Assurance ... -0.5
5. Electronic & Elec ... -0.5

Record high for Zeneca

Merger mania returned to the Footsie with Zeneca taking centre stage following the announcement of a tie-up between Sandoz and Ciba-Geigy.

The shares jumped 96 to 1377p, a record high, with turnover of 7.4m shares among the heaviest since demerger from ICI nearly three years ago.

News of the $60bn move by the two Swiss groups reminded investors of the extent of fragmentation in the global pharmaceuticals market despite the mergers of recent years.

It also refreshed their memory about speculation that has linked Zeneca with Roche which was, until yesterday, Switzerland's biggest pharmaceuticals player.

Thirdly, it came hot on the heels of a results statement from Glaxo Wellcome at which Mr Richard Sykes, the chief executive, said he was not ruling out further acquisitions. He said a short-term move was unlikely but that did not prevent press comment that Glaxo needed to gobble up competitors to keep up with its peers.

Finally, the Ciba-Sandoz decision was seen as an argument for single country deals.

All this speculation came on top of a very strong set of full year figures. They showed accelerating pharmaceuticals sales growth, losses in the seeds division eliminated and plans in place to dispose of barely profitable divisions such as textile dyes.

Mr David Barnes, the chief executive, said most of the rise reflected the "fundamental value of the group." But a company executive added: "We will look at all opportunities but they will have to be quality."

Glaxo Wellcome, still suffering from disappointing figures on Wednesday, fell 30 to 846p with 28m traded.

Rolls tugged

On a heavy day for engineering results, Rolls-Royce split the City down the middle and in the process sent volume in the shares shooting up to its second highest level for five years.

The group's 1995 results were well up to expectations and, with the engineering demand cycle still recovering, further profits progress was widely seen for this year.

But some analysts found the trading statement on the tame side and there was no shortage of advice to take profits.

"There is clearly further demand recovery to come at R-R, but it has to be remembered that the shares have risen by more than 40 per cent since November", said one sector analyst.

NatWest Securities was last night considering an upwards tweak for profits this year and maintained a buy recommendation. SBC Warburg also reiterated buy advice.

But BZW stood firmly by its sell stance and the polarisation of opinions sparked a massive two-way pull in the stock. The shares closed 4½ better at 215p in 28m traded.

GKN shot ahead by 35 to a new high of 877p following top of the range results and a positive statement. In contrast, Vickers had another torrid day, sliding 18 to 280p.

Fading hopes of a bid from GKN and news of share sales by directors have combined to depress Vickers' shares by more than 9 per cent over the past two days.

Damp spirits

Vodka worries returned to haunt Grand Metropolitan and the shares came off 4 to 433p, in 3.4m traded.

Two years ago the drinks group lost the rights to distribute Swedish vodka Absolut. It is now involved in tough talks aimed at protecting its rights to sell Finlandia, the top selling Finnish brand, in the US.

Vodka is far and away the biggest selling spirit in the US, and Grand Met is a leading supplier. According to one sector watcher, US vodka sales account for around a quarter of group profits. The business is spread across a number of brands of which Finlandia is some way down the pecking order.

However, analysts were yesterday concerned about the prospect of a steep uptick in market competition, both in the US and in Europe.

With Wessex Water forced to disclose a £650m takeover plan for neighbouring South West, the tide of takeover enthusiasm rose sharply in the water sector.

Several analysts were surprised by Wednesday's midnight announcement as bid rumours within the sector had declined over recent months and the Wessex strategy was perceived to be expansion into non-regulated areas.

The market now expects a wave of activity, assuming the obligatory inquiry by the Monopolies and Mergers Commission is sufficiently favourable.

Ms Angela Whelan of Credit Lyonnais Laing said: "They're all up for grabs. Foreign companies are going to be looking at the deal and thinking 'If Wessex can extract value while having to give a significant amount back to customers, maybe there is more for me as I don't have to return value'."

Bristol Water rose 60 to 1260p, Southern 39 to 786p and Yorkshire 17 to 673p. Meanwhile, South West rose 70 to 608p and Wessex fell 20 to 334p.

Unilever, a clear laggard against the market over the past month, bounced higher, recovering 9 to 1,219p in modest volume.

Shares in the foods and detergents giant have come down from 1,360p since the middle of January. Some brokers have been urging clients to take advantage of the shake-out.

A line of stock was said to be hanging over conglomerate Cookson, depressing the shares in the face of strong results. The stock ended off 8 at 310p in the second heaviest turnover on record, with 11m shares traded.

A number of analysts upgraded gently for the current year. SBC Warburg moved up by £10m to £215m. But circuit solder is a large part of Cookson's business and doubts about the durability of the semi-conductor boom wera being voiced yesterday.

Consideration of BSkyB's announcement that it is expanding into continental Europe saw the shares rise 24 to 423p. However, there was some concern about resistance from the two leading German media groups. And there was confusion yesterday afternoon when the company cancelled its telephone conference with analysts.

Media group More O'Ferrall lifted 38 to 585p in response to a big rise in full-year figures.

Three transport shares hit new highs and featured in the FT-SE Mid 250 index's top ten stocks.

Air freight and support services group Ocean Group jumped 22 to 417p on strong results. Acquisitions valued at £52m, a seventh of its market capitalisation, lifted bus operator FirstBus by 11 to 176p. National Express put on 12 to 468p.

Housebuilders stayed in demand helped by an optimistic trading statement from Galliford, which added 1½ to 18¼p. Wilson Bowden jumped 10 to 418p for a two-day advance of 5 per cent. Bellway added 13 to 298p.

De La Rue tumbled 25 to 721p after a profits warning.

FINANCIAL TIMES EQUITY INDICES

	Mar 7	Mar 6	Mar 5	Mar 4	Mar 1	Yr ago	*High	*Low
Ordinary Share	2794.1	2794.9	2807.6	2791.3	2775.5	2288.8	2807.6	2238.3
Ord. div. yield	3.85	3.86	3.82	3.84	3.86	4.80	4.73	3.76
P/E ratio net	16.84	16.84	17.06	16.98	16.88	16.40	21.83	15.35
P/E ratio nil	16.62	16.62	16.85	16.76	16.66	15.94	22.21	15.17

*For 1995/96. Ordinary Share index since compilation: high 2807.6 5/03/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2794.6	2782.4	2796.7	2798.8	2795.1	2794.5	2798.5	2796.0	2794.5	2799.0	2790.8

	Mar 7	Mar 6	Mar 5	Mar 4	Mar 1	Yr ago
SEAQ bargains	35,177	35,021	37,290	36,645	33,405	26,086
Equity turnover (£m)†	-	1667.0	1886.5	1471.5	1665.8	1487.8
Equity bargains†	-	39,606	43,116	44,722	32,437	36,226
Shares traded (mil)†	-	829.7	707.3	601.4	543.3	620.5

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	831	Total Highs	137	Total contracts	60,190
Total Falls	693	Total Lows	14	Calls	41,011
Same	1,564			Puts	19,179

Mar. 7 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3756.0	3766.0	+3.0	3777.0	3754.0	12496	36222
Jun	3757.0	3768.0	+3.0	3778.0	3757.0	4754	29592
Sep	3782.0	3784.0	+2.5	3782.0	3782.0	5	2356

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4300.0	4295.0	+5.0	4300.0	4295.0	18	2912
Jun	4315.0	4315.0	+9.0	4318.0	4315.0	18	1431

■ FT-SE 100 INDEX OPTION (LIFFE) (*3758) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 5,880 Puts 3,771 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	1995/96 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	82.1	527	498	BZW Eq (Brmds)	521	-6	-	-	-	-
-	F.P.	1.56	2	2	†Capital & Wstm	2		-	-	-	-
-	F.P.	0.07	5½	3¼	Clubhaus Wrts	3¼		-	-	-	-
7.5	F.P.	14.7	8½	5¾	Clubhaus	6		¥-	-	-	11.1
-	F.P.	13.3	16	11	Ex-Lands Props	12		Lv0.5	-	5.2	-
-	F.P.	0.19	13½	6½	Ex-Land Wrts	6½		-	-	-	-
12	F.P.	58.8	16½	15	†Freepages	15½		¥-	-	-	-
-	F.P.	30.8	143	108	†IOC Intl	125	-3	-	-	-	-
-	F.P.	16.2	71	68	†Optical Care (S)	70	+2	-	-	-	-
54	F.P.	2.92	60	50	†Self Sealing Sys	50		-	-	-	-
175	F.P.	124.8	223	198	Shire Pharms	205		-	-	-	-
180	F.P.	110.4	188	176	Streamline	178	-1	Wv7.7	1.7	5.4	13.5
185	F.P.	105.8	231	216	Visual Action	230		Rv4.7	2.9	2.6	16.8

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Mar 8	% chg on day	Mar 6	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	2259.18	+0.8	2237.78	1724.28	1.48	-	2620.72	1722.92
■ Regional Indices								
Africa (16)	3016.73	+2.1	2954.34	2570.58	2.83	35.21	3583.86	2272.74
Australasia (5)	2588.34	-1.3	2722.88	1929.15	2.32	40.85	2927.34	1929.15
North America (12)	1971.13	+0.1	1988.31	1448.08	0.88	59.48	2186.39	1448.08

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FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. "The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FT-SE International Limited 1996. All Rights reserved. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company." † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,400	496	-8
ASDA Group†	11,000	108½	+½
Abbey National†	2,400	571	-2
Albert Fisher	2,400	49½	
Allied Domecq†	988	512	-1
Anglian Water	874	698	+8
Argos†	184	632	+4
Argyll Group†	4,800	318	+12
Arjo Wiggins	2,300	210	+8
Assoc. Brit. Foods†	1,000	411½	+6½
Assoc. Brit. Ports	794	313	+8
BAA†	1,400	517	+4
BAT Inds.†	6,700	569	+6
BET	7,300	107	-1½
BICC	926	319	+2
BOC†	258	904	+1
BP†	4,300	547	+6
BPB Inds.	304	329	
BSkyB†	6,600	423	+24
BT†	11,000	367	-½
BTR†	5,400	325	+2
Bank of Scotland†	2,700	271½	-4½
Barclays†	5,400	762	-10
Bass†	1,300	768	+1
Blue Circle†	1,300	357	+2½
Booker	393	375	-2
Boots†	1,800	614	
Britannic	45	784	-1
Brit. Aerospace†	2,100	869	-10
British Airways†	2,200	527½	-7½
British Gas†	2,700	240	+1
British Land	390	390	+1
British Steel†	16,000	179½	-4½
Bunzl	74	200	
Burmah Castrol†	148	1066	
Burton†	9,000	134½	+½
Cable & Wire†	7,400	451	+1
Cadbury Schweppes†	4,100	535	-1
Caradon	2,500	220	+1
Carlton Comms.†	3,600	430	-2
Coats Viyella	2,800	205	+4
Comm. Union†	715	604	+2
Compass	59	408	+3
Cookson†	12,000	310	-8
Courtaulds†	1,400	436	-1
Dalgety	837	444	+2
De La Rue	512	721	-25
Dixons†	337	488½	-2½
East Midland Elect.	598	812	
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

AUCTIONS

COMMERCIAL PROPERTY

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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 7 / Sch)

BELGIUM/LUXEMBOURG (Mar 7 / Frs.)

CZECH REP (Mar 7 / Korona)

DENMARK (Mar 7 / Kr)

FINLAND (Mar 7 / Mka)

FRANCE (Mar 7 / Frs.)

GERMANY (Mar 7 / Dm.)

GREECE (Mar 7 / Drachma)

ITALY (Mar 7 / Lire)

NORWAY (Mar 7 / Kroner)

POLAND (Mar 7 / Zloty)

PORTUGAL (Mar 7 / Escudo)

SPAIN (Mar 7 / Pts.)

NETHERLANDS (Mar 7 / Fls.)

SWEDEN (Mar 7 / Kronor)

SWITZERLAND (Mar 7 / Frs.)

TURKEY (Mar 7 / Tk Lira)

PACIFIC

JAPAN (Mar 7 / Yen)

HONG KONG (Mar 7 / H.K.$)

INDONESIA (Mar 7 / Rupiah)

MALAYSIA (Mar 7 / MYR)

NEW ZEALAND (Mar 7 / NZ $)

SINGAPORE (Mar 7 / S$)

AUSTRALIA (Mar 7 / Aust$)

SOUTH KOREA (Mar 7 / Won)

TAIWAN (Mar 7 / TW $)

THAILAND (Mar 7 / Baht)

AFRICA

SOUTH AFRICA (Mar 7 / Rand)

NORTH AMERICA

CANADA

TORONTO (Mar 7 / Can $) 4 pm close

MONTREAL (Mar 7 / Can $) 4 pm close

INDICES

INDEX FUTURES

US INDICES

DJ Ind. Day's high 5700.32 (5655.78) Low 5585.70 (5555.24) (Theoretical¶)
Day's high 5658.82 (5642.42) Low 5624.71 (5577.30) (Actual¶)

Standard and Poors							
Composite‡	652.00	655.79	650.81	661.45 (12/2/96)	459.11 (3/1/95)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials¶	768.76	770.76	764.45	778.23 (22/2/96)	545.25 (3/1/95)	778.23 (22/2/96)	3.62 (21/6/32)
Financial	67.84	68.56	68.01	68.58 (5/3/96)	41.64 (3/1/95)	68.58 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	349.46	350.75	348.87	351.70 (12/2/96)	250.73 (3/1/95)	351.79 (12/2/96)	4.46 (25/4/42)
Amex Mkt Val	569.84	569.15	567.04	570.16 (22/2/96)	433.12 (6/1/95)	570.16 (22/2/96)	29.31 (9/12/72)
NASDAQ Comp	1091.82	1096.81	1084.85	1117.79 (23/2/96)	743.58 (3/1/95)	1117.79 (23/2/96)	54.87 (31/10/72)

RATIOS

	Mar 1	Feb 23	Feb 16	Year ago
Dow Jones Ind. Div. Yield	2.15	2.12	2.16	2.73
	Mar 6	Feb 28	Feb 21	Year ago
S & P Ind. Div. yield	1.87	1.89	1.89	2.36
S & P Ind. P/E ratio	21.05	20.83	19.90	17.32

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
K-Mart	13,072,600	8¼	+½
Micron Tech	10,538,500	28½	-2⅜
Glaxo Wel	9,626,700	26⅜	-1⅛
Bay Network	7,503,400	34⅝	-2¼
Wal-Mart	6,201,200	23⅞	+¼
Compaq	5,765,000	39¾	-¼
Texas Inst	4,300,300	47⅝	-2⅜
Ford Motor	3,491,000	32⅜	-⅛
Motorola	3,345,900	53	-1½
Seagate Tech	3,245,700	58½	+⅞

TRADING ACTIVITY

● Volume (million)

	Mar 6	Mar 5	Mar 4
New York SE	431.327	437.421	419.88
Amex	19.868	17.855	22.686
NASDAQ	547.304	503.221	495.115
NYSE			
Issues Traded	3,101	3,130	3,093
Rises	1,134	1,217	1,626
Falls	1,180	1,126	764
Unchanged	787	787	703
New Highs	145	150	176
New Lows	13	13	17

S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	651.50	650.30	-7.15	652.00	650.30	88,937	137,507
Jun	657.70	656.40	-7.25	658.00	656.40	22,162	81,281

Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	20110.0	20040.0	-230.0	20120.0	19910.0	16,553	99,073
Jun	20150.0	20000.0	-340.0	20150.0	19910.0	53,212	211,639

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ¶ Subject to official recalculation.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1995. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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TOKYO - MOST ACTIVE STOCKS: Thursday, March 7, 1996

	Stocks Traded	Closing Prices	Change on day
Pacific Metals	18.4m	696	-14
Shinko Electric	14.6m	871	-28
Daiwa Secs	11.6m	1470	-20
Toshiba Corp	10.3m	770	-17
New Japan Secs	10.3m	642	
Komatsu	9.2m	904	-4
Oki Elect Ind	7.6m	871	-37
Fujitsu	7.2m	999	-31
Mitsui Co	6.3m	901	-4
Sumitomo Mtl Ind	6.1m	295	-3

4 pm close March 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅛	12⅛	AAR	0.45	2.3	25	210	21⅛	20½	21⅛	+⅛
46¼	35	AMP	1.00	2.4	21	2370	42¾	42⅛	42½	-¼
89¾	53⅜	AMR			34	4712	97½	85⅜	00¾	-1
60½	38⅜	ASA	2.00	4.5	29	1637	48⅜	44½	44⅝	-½
44¾	30⅛	AbbotL	0.96	2.2	28	11924	44	43¼	43⅞	+¾
18⅞	12	Abitibi Pr x	0.45	2.9	7	6536	14¾	13¾	14	
30⅝	21	ABM Ind	0.70	2.3	18	67	30⅛	29¾	29⅞	-¼
17½	13⅛	Acpmedn			10	74	14⅞	14⅝	14⅝	-⅛
25⅜	21⅞	ACE Ltd	0.58	1.2	11	1651	47⅜	47	47	-½
9⅞	8⅛	ACM Gvt In x	0.90	9.2	8	308	9¾	9⅝	9¾	+¼
7⅞	6½	ACM GvOpp x	0.68	0.8		78	7⅝	7½	7½	-½
7½	5¾	ACM Grt Sp x	0.75	10.7		552	7⅛	7	7	
9⅛	7¼	ACM Gvt Sc x	0.60	10.1		192	0	8⅞	8⅞	
9½	7⅛	ACM Man x	0.90	0.6		558	u9½	9¼	9½	+⅛
31¼	10¼	ActoneCtr	0.52	1.7	7	25388	u31¼	20⅞	31	+11
38⅜	6½	Acme Elect			54	80	6⅝	68½	6½	-⅜
34½	23¾	Acordia	0.72	2.8	18	11	25	27⅞	25	+⅛
18⅛	10¾	Acuson			48	921	15¾	15⅛	15⅜	-⅛
19⅝	15⅝	Adams Expr	0.36	1.9	0	36	19⅜	10¼	19⅜	+⅛
38⅞	18⅛	AdvMic			8	7934	17½	18⅞	17¼	-⅛
10¾	5	Advest Grp	0.18	1.8	9	30	9¾	9⅝	9¾	+⅜
27½	12⅜	Advo Inc	0.10	0.8	13	1087	12⅛	d12⅛	12⅜	-⅛
46¼	24 88	Aegon	1.28	2.9	16	37	44½	43¾	44½	+⅞
5⅞	3⅜	Aerflx			0	480	4¾	4⅝	4⅛	-⅛
78⅛	48¾	AetnaL	2.76	3.5	37	3709	u78¼	77¾	78½	
49½	31⅞	Aflac	0.52	1.1	14	1563	48½	47⅞	48½	+⅛
28⅛	10	Ahmnsn	0.98	3.5	7	9963	25⅛	24¼	25	+⅛
59½	43⅞	AirPrC	1.34	1.8	18	4126	55½	00	55¼	+⅛
[illegible]										

- B -

[illegible]

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NYSE COMPOSITE PRICES

4 pm close March 7

Continued from previous page

[illegible]

- X - Y - Z -

144⅝	96½	Xerox	3.48	2.7	16	3558	130¼	128⅜	130⅛	+⅞
52½	38¾	Xtra Corp	0.72	1.8	14	111	44	43¼	44	+½
25¾	19½	Yankee Egy x	1.26	5.5	16	158	23⅛	22⅞	22⅞	-¼
49	34⅛	York Int	0.24	0.5	10	354	47⅛	46¾	47	
4½	2½	Zapata	0.14	4.1	5	316	5½	5⅜	9⅜	-⅜
12⅛	5⅞	ZenithEl			5	408	6⅞	6¾	6¾	
24⅞	19⅜	Zenith Nat	1.00	4.1	67	110	u24¾	24	24⅜	+½
7⅛	6⅛	Zenix Inc	0.72	15.5		114	7	5⅞	6⅞	
16¼	12⅝	Zero	0.44	2.5	17	27	17⅝	17½	17⅝	-⅛
28	16⅞	Zurn Ind	0.40	2.0	15	567	20½	10⅞	19⅞	-⅝
11½	10¼	Zweig Fund	1.12	10.2		310	11	10¾	11	+⅛
8	7⅞	Zweig Tot x	0.84	9.3		1059	u8	8⅞	0	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial. d-new yearly low. P/E price-earnings ratio. xd-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. x Dealings suspended.

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AMEX COMPOSITE PRICES

4 pm close March 7

[illegible]

NASDAQ NATIONAL MARKET

4 pm close March 7

[illegible]

AMERICA

US shares flat awaiting new jobless data

Wall Street

US shares were mostly flat as investors awaited critical data on February employment due out early today, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was off 2.89 at 5,626.88, while the Standard & Poor's 500 added 0.32 at 652.32 and the American Stock Exchange composite rose 1.22 at 571.06. Volume on the NYSE was 241m shares.

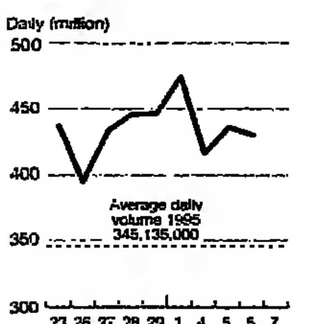
The equity market received little direction from bonds, which were also flat in quiet trading ahead of today's jobs data.

The Nasdaq composite managed a 2.88 gain at 1,094.70 as some computer-related companies rebounded from the sharp falls recorded on Wednesday after Texas Instruments warned that slowing growth in international semiconductor markets was not as great as it feared.

Texas Instruments, which shed $2¾ on Wednesday, regained $1¼ by midsession, bringing the shares to $48⅞. Meanwhile Intel, fell another $⅛ on the heel's of Wednesday's drop of $1⅞ putting the shares at $53¼.

Both the Pacific Stock Exchange technology index and the American Stock Exchange/Interactive Week internet index were flat.

NYSE volume



Several pharmaceutical companies jumped as news of the merger of Sandoz with Ciba hit the street bringing speculation that the deal would set off a wave of friendly mergers and cost-cutting by other industry giants. Warner Lambert gained $2¾ at $106¾, Eli Lilly was $1¾ stronger at $60⅞ and Schering-Plough gained $1⅜ at $61¼.

Kmart, which rose $¾ or 6 per cent on Wednesday, slipped $¼ at $8⅜ after reporting operating earnings of 5 cents a share, 4 cents lower than the mean estimate. The beleaguered retailer said it believed the worst of its financial problems were behind it.

Acme Cleveland soared $11 or 55 per cent to $31 on news that Danaher had offered to buy them for $27 a share. Danaher shares slipped $¾ at $34⅞.

T. Rowe Price, the mutual fund company, jumped $3 or 6 per cent to $56½ after it was added to the S & P Midcap 400 index. Companies often gain after being added to indices because portfolio managers running funds based on the indices have to buy the shares to keep up with their benchmarks.

Canada

Toronto was mixed in midsession trading after Wednesday's budget, which brought no changes in corporate taxes and was not expected to have much impact on the equity market. The TSE-300 composite index was 7.86 higher by noon at 4,981.20 in volume of 41.3m shares.

Canadian Imperial Bank of Commerce was C$¾ higher at C$42¼, taking analysts by surprise with its 37 per cent rise in first quarter profits. The bank attributed the improvement to better credit quality and strong investment banking revenues. Receipts of Petro-Canada, the resources group, were heavily traded, picking up C$¼ to C$9. Alcan Aluminium rose C$½ to C$44½ and St Genevieve Resources fell 22 cents to C$2.34.

Saõ Paulo plunges 5%

The equity market in SAO PAULO plunged 5 per cent at the opening after the lower house on Wednesday rejected the government's proposals to reform the pension system. However, by midday the Bovespa index had staged a mild recovery and was off 2,310.24 or 4.6 per cent at 47,443. On Wednesday the market lost 4.3 per cent, its second biggest decline in a single session. Brokers said that a decision by the senate for an investigation of the country's banking crisis had also depressed sentiment. Reforming the pension system had been a corner stone in the government's plan to balance the budget.

MEXICO CITY was slightly higher at midsession with the IPC index up 8.3 at 2,828.69.

While there were no specific events affecting the market directly brokers said that continuing economic uncertainty was keeping investors away. Recent economic indicators and a rise in interest rates had also upset trading. In BUENOS AIRES the Merval index was down 9.26 at 515.07.

S Africa industrials weak

Johannesburg retreated on technical factors as the expiry of futures options next week continued to play on investors' minds. Dealers said that the market would also remain unpredictable in the run-up to the budget on March 13. The overall index lost 1.4 to 6,677.4, the industrial index fell 12.8 to 8,325.9 and the gold index eased 16.5 to 1,687.7.

Palabora Mining was the day's star performer, rising R9 to R50 after Wednesday's announcement that the company was going ahead with a R1.50bn development of an underground copper mine at the Phalaborwa project, in South Africa's Northern Province, in partnership with the dual-listed RTZ-CRA.

Other stocks were mixed with Anglo American up R1.50 to R248 and Gencor, the mining house, 30 cents higher at R14.50.

Sasol, the oil producer, rose R1.25 to R38.25 and Samancor, the steel maker, put on R3.00 to R47.00.

EUROPE

Zurich gains 5.1% on pharmaceuticals merger

The mega-merger of Ciba and Sandoz into the world's second largest pharmaceuticals company took ZURICH, already at an all time high, up another 5.1 per cent.

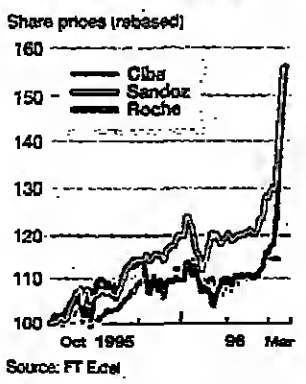
The SMI index finished 173.6 higher at 3,581.9 after the session was extended to cope with heavy trade in the pharmaceutical stocks.

Registered shares in Sandoz, whose shareholders will own 55 per cent of the new company, jumped SFr226, or 19.6 per cent, to close at the day's high of SFr1,381. Ciba registered climbed SFr225, or 18.3 per cent, to SFr1,455, after a high of SFr1,600.

Certificates in Roche, until now the largest by market capitalisation of the big three Swiss pharmaceuticals groups, eased SFr5 to SFr9,340, but up from a low of SFr9,040, as it faced up to increased competition from its new neighbour in Basle.

Mr Andrew Tivenan at James Capel said that the merger looked a very good deal, unleashing a lot of shareholder value. It made industrial sense, not only on the pharmaceutical side but also for agrochemicals, where the new company would become by far the world's largest operator. The companies were a very good match with significant scope for cost savings.

Swiss pharmaceuticals



Source: FT Extel

The merger would, however, put pressure on Roche to perform. "The new company is going to be just as good as Roche, and in some senses even better," he said.

FRANKFURT took the Swiss merger to heart, industry spokesmen saying that the size of the deal might prompt them to form new alliances. The chemicals sector traded high and hard as the Dax index rose 8.00 to an Ibis indicated 2,479.38.

Turnover rose from DM7.6bn to DM9bn, Bayer and Schering leading in DM779m, and DM712m as the shares rose by DM13.65 to DM464.40, and DM6, or 5.6 per cent to DM112.50. Elsewhere in the sector, BASF and Hoechst climbed DM11.35 to DM381.35, and DM10.50 to DM470, while Altana finished DM20 higher at DM988.

Other winners included Adidas, up DM6.90, or 7.5 per cent, at DM98.60: the sportswear group more than doubled its 1995 net profits, and forecast double digit growth both this year and in 1997. Continental, the tyremaker, rose another DM1.26 at DM26.96 after Wednesday's good results.

Among the losers, Deutsche Babcock lost another DM6.80 at DM84.50 and Germany's three biggest construction groups, Bilfinger, Hochtief and Holzmann, all fell by DM24, to DM566, DM619 and DM540 respectively. Mr Michael Geiber at CS Boston said that the builders were reacting to Wednesday's industry association forecast of a 3½ per cent drop in West German construction output this year.

PARIS was excited by Canal Plus which said after the close on Wednesday that it was joining BSkyB of the UK and Bertelsmann of Germany to form an European digital television alliance. Canal Plus soared FFr151 or 16.5 per cent to FFr1,065, and Havas, which holds a 24 per cent stake in the company, added FFr26.70 at FFr406. Analysts said that the alliance would put the French pay television company in a very strong position, and removed fears that it would be left behind in the race to develop a digital service.

FT-SE Actuaries Share Indices

Mar 7							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1601.71	1604.18	1602.19	1602.23	1604.80	1604.29	1605.55	1607.55
FT-SE Eurotrack 200	1681.47	1684.02	1682.50	1682.98	1683.13	1684.15	1683.51	1684.53
	Mar 6	Mar 5	Mar 4	Mar 1	Feb 29			
FT-SE Eurotrack 100	1586.63	1585.41	1567.02	1590.91	1575.00			
FT-SE Eurotrack 200	1669.93	1670.45	1672.30	1674.60	1656.68			

Base value 1000 (26/10/90) Highday: 100 - 1607.96; 200 - 1684.75 Lowday: 100 - 1601.62; 200 - 1680.79. † Partial.

The CAC-40 index firmed 2.14 to 2,008.03, unimpressed by a further easing in lending rates. Turnover was FFr6bn.

Elf Aquitaine was up FFr2.20 at FFr355 although Générale des Eaux, unchanged at FFr517, denied that the oil group had sold its 1 per cent stake in the company.

AMSTERDAM built up momentum once again helped by a strong set of 1995 results from Ahold which rose Fl 2.20 or 8 per cent to Fl 69.80 after the supermarket group reported a 11.5 per cent rise in profits and gave a positive forecast for the current year.

The AEX closed 1.11 higher at a new record high of 519.31.

But it was not all good news. Hoogovens fell Fl 2.10 to Fl 62.90 on disappointment with the steel and aluminium group's full year results. While the company reported a 43 per cent rise in 1995 profits it also warned that 1996 earnings would not match this level. Some brokers moved to downgrade the stock, Robeco forecasting a 40 per cent decline in net earnings for the first half of 1996.

Philips also creased some brows as it disclosed that it was scaling down a share offering in its ASM Lithography unit, owing to the deterioration in the semi-conductor market since the issue was first proposed last month. Philips shed Fl 1.80 to Fl 66.40 and ASM Fl 8.90 or 9.4 per cent at Fl 66.40.

BRUSSELS registered another record close as hedging by banks of newly launched equity products, which had boosted the market for the previous 12 sessions, again spurred prices higher. The Bel-20 index rose 28.41 or 1.6 per cent to 1,755.71.

Retailers had a good day. GIB rose BFr75 to BFr1,590. Delhaize BFr28 to BFr1,380 and Colruyt BFr400 to BFr10,750.

UCB, the chemicals, packaging and pharmaceuticals company, was up BFr1,025 to BFr50,950 but analysts said that it was not tracking the Sandoz-Ciba merger.

Both BUDAPEST and ISTANBUL succumbed to profit taking. The Hungarian equity market's Bux index, which had reached three successive all-time highs earlier this week, closed off 30.62 at 2,359.39. Turnover eased to Ft767.6m from Ft815.2m. OTP Bank was the heaviest casualty, losing 6 per cent to Ft1,390.

In Istanbul, the composite index lost 846.77 or 1.3 per cent at 65,481.77. Turnover firmed to TL17,460bn from TL16,920bn.

Many brokers thought that the downturn would be short-lived because of the positive political atmosphere.

However, both WARSAW and PRAGUE continued to appreciate. In Poland the Wig index rose 87.5 to 11,898.6 as turnover rose 11 per cent to 222.8m zlotys. In Prague, the PSE index made 1.5 to 481.7 in spite of a fall in SPT Telecom which lost Kcs30 to Kcs2,920. Turnover was Kcs1.1bn.

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

Nikkei slips under 20,000 on housing loan worries

Tokyo

Mounting uncertainty over the government's liquidation scheme for the ailing housing loan companies damaged confidence and the Nikkei average closed below 20,000 for the first time since February 28, *writes Emiko Terazono in Tokyo.*

The 225 index tumbled 284.03, or 1.4 per cent to 19,957.15, after trading between 20,200.52 and 19,916.98. Worries about the *jusen*, or housing loan bail-out plan hit bank stocks, while high-technology shares were affected by a bearish outlook for global semiconductor demand.

Volume was 420m shares against 425.8m. Activity was supported by cross trading, or selling and buying back by investors looking to realise profits on holdings while maintaining their portfolios. Banks and corporate investors led the move to boost earnings through cross trading ahead of the March book closing.

The Topix index of all first section stocks dropped 21,73 to 1,530.17 and the Nikkei 300 lost 4.23 to 285.11. Declines outnumbered advances by 880 to 206 with 135 unchanged.

In London, the ISE/Nikkei 50 index rose 5.22 to 1,334.74.

The failure by the ruling and opposition parties to reach a compromise over the housing loan bail-out plan weighed on sentiment, which had recovered briefly on Wednesday on hopes that an agreement would be reached.

Bank stocks were sold on the heightening anxiety over the impasse. Sumitomo Bank lost Y60 to Y1,920 and Mitsubishi Bank fell Y60 to Y2,110.

Semiconductor related stocks fell on a downward revision of the outlook for international semiconductor demand by Texas Instruments. Foreign investors were heavy sellers, with Toshiba down Y17 to Y770 and NEC losing Y50 to Y1,170. Silicon chip manufacturing equipment manufacturers were also lower, Tokyo Electron losing Y180 to Y3,720 and Advantest Y180 to Y5,260.

Nippon Telegraph and Telephone fell Y12,000 to Y761,000 on uncertainty over the government's plans for a break-up of the company.

In Osaka, the OSE average fell 236.32 to 21,280.73 in volume of 219.3m shares.

Roundup

A continuing slide by index futures triggered selling by Japanese investors in HONG KONG, as they repatriated funds for their financial year-end accounting. The Hang Seng index fell 184.25, or 1.6 per cent to 11,194.48 in turnover that shrank to HK$4.5bn.

Analysts viewed Wednesday's budget for the new financial year starting in April as mildly stimulative following the economy's slowdown last year, and said that it should have boosted the market.

Shangri-La Asia, the hotel group, bucked the trend and climbed 40 cents to HK$11.05 on expectations of solid 1995 results due out next week.

SINGAPORE was pulled lower by weak property and banking issues with confidence dented by worries over China's missile tests off Taiwan and Keppel's weak shipyard results. The Straits Times industrials index fell 27.31 to 2,402.43, off a low of 2,394.58. Volume was 172.4m shares.

The property index fell 35.66 or 4.8 per cent to 707.04. Disappointment over Wednesday's Straits Steamship Land results hurt DBS Land, which dropped 40 cents or 7.1 per cent to S$5.20.

KUALA LUMPUR gave up an early lead as profit taking set in among most blue chips after their recent strong run although Tenaga, the electricity giant, continued higher, surprising some analysts who noted that the stock was highly priced at current levels.

The composite index ended 3.64 down at 1,132.50 as Tenaga picked up another 50 cents to M$11.20, up 9.8 per cent so far this week on suggestions of call warrants being issued.

SEOUL fell to a 27 month low, many investors remaining out of the market, awaiting April's increase in the limit on foreign share ownership which was expected to give prices a boost. The composite index fell 8.84 to 842.22.

Korea Housing Bank's new shares closed at their limit high of Won17,400 against the offer price of Won11,000, with no deals reported in the old shares.

BANGKOK saw most of the day's activity concentrated in two key communication stocks. The SET index finished 2.02 lower at 1,316.19 on turnover of Bt4.2bn.

Thai Telephone and Telecommunication, a subsidiary of Jasmine International, fell Bt10.50 to Bt95.50 after announcing that it would issue Bt3bn in convertible debentures. Brokers said that after selling Thai Telephone and Telecommunication, many investors then sold Jasmine International which dropped Bt11 to Bt107.

TAIPEI stabilised after the losses of the previous two sessions, following government support through the stock stabilisation fund. The weighted index eased 24.93 or 0.5 per cent to 4,750.74, off an intra-day high of 4,780.28.

MANILA finished sharply lower as investors unloaded blue chips and took positions in second-line issues.

The composite index fell 35.55 or 1.2 per cent to 2,883.34, off a low of 2,868.84. Turnover was 2.2bn pesos.

SYDNEY continued to weaken as domestic political and economic issues weighed on sentiment. Brokers explained that most investors were worried by fears of the budget not meeting forecasts and remaining in deficit, as well as the possibility of a high wage claim by trade unions. The All Ordinaries index closed down 31.9 points at 2,269.2. The All Industrials index shed 51.4 to 3,393.0. Turnover was A$486.9m. Boral lost 13 cents to A$3.49 on disappointing 1995 results, while CRA shed 20 cents to A$20 on a similar theme.

WELLINGTON was hurt by weakness in the forestry sector as the NZSE-40 Capital index retreated by 32.35 to 2,104.28.

Brokers said that Fletcher Challenge, down 12 cents at NZ$3.15, and Carter Holt Harvey, down 15 cents at NZ$2.95, continued to be sold on worries over the drop in global pulp prices.

BOMBAY was hard hit by late speculative selling ahead of today's close of the two week account for A group shares and on disappointment in a delay in the announcement of the dates of India's general elections, due by June. The BSE-30 index rose 40.73 to 3,383.92. SHANGHAI's hard currency B shares fell 1.5 per cent in slow trade on selling in shares of companies expected to announce poor 1995 results. The index lost 0.782 to 51.589. SHENZHEN's B index was steady, down just 0.01 at 61.87.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS	WEDNESDAY MARCH 6 1996								TUESDAY MARCH 5 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (81)	201.13	0.0	194.98	133.84	154.23	175.58	-0.3	3.88	201.17	196.20	133.68	154.67	176.12	202.74	158.79	162.29
Austria (26)	182.72	-0.7	177.14	121.59	140.11	139.95	-0.9	1.64	183.99	178.53	122.26	141.46	141.29	199.28	169.11	192.01
Belgium (34)	213.15	0.3	206.64	141.84	163.45	159.37	0.0	3.31	212.60	206.30	141.28	163.46	159.37	215.81	172.97	176.60
Brazil (28)	155.77	-4.1	151.02	103.66	119.46	281.97	-4.1	1.64	162.41	157.60	107.92	124.87	293.96	170.25	86.06	114.29
Canada (101)	155.51	-0.4	150.76	103.48	119.25	154.36	-0.4	2.43	156.16	151.53	103.77	120.06	155.00	158.71	125.64	125.84
Denmark (33)	299.82	-0.8	290.66	199.52	229.81	232.35	-1.0	1.63	302.16	293.20	200.79	232.32	234.79	305.17	252.41	264.78
Finland (24)	183.61	-0.2	178.00	122.19	140.80	176.88	-0.2	2.45	184.00	178.55	122.27	141.47	177.23	276.11	171.13	184.07
France (98)	190.38	0.5	184.56	126.69	145.99	150.78	0.1	3.05	189.46	183.84	125.90	145.67	150.55	191.17	161.53	167.12
Germany (60)	171.83	-0.3	166.58	114.34	131.78	131.76	-0.5	1.86	172.27	167.17	114.48	132.45	132.45	173.79	142.25	154.58
Hong Kong (59)	445.18	-0.5	431.56	296.23	341.36	441.86	-0.5	3.23	447.49	434.22	297.38	344.06	444.20	451.19	323.87	330.23
Ireland (16)	262.78	1.4	254.75	174.87	201.51	235.45	1.2	3.39	259.24	251.56	172.27	199.32	232.62	262.78	205.44	217.10
Italy (59)	76.84	-1.6	74.48	51.13	58.92	89.26	-1.4	1.69	78.05	75.73	51.86	60.01	90.50	82.71	65.45	73.73
Japan (482)	148.48	-0.3	143.96	98.81	113.87	98.81	-0.1	0.78	148.89	144.47	98.94	114.47	98.94	164.82	137.75	147.08
Malaysia (107)	553.66	1.4	536.75	368.43	424.56	541.18	1.1	1.57	546.31	530.11	363.03	420.04	535.16	561.96	425.77	475.54
Mexico (18)	1086.00	-1.5	1052.84	722.69	832.78	9018.15	-1.4	1.54	1102.63	1069.93	732.70	847.77	9141.14	1237.14	647.81	726.75
Netherland (19)	281.55	0.4	272.95	187.36	215.90	212.21	0.1	3.23	280.43	272.11	186.35	215.61	211.81	283.23	227.76	232.24
New Zealand (13)	81.26	-0.4	78.78	54.03	62.32	63.90	-0.4	4.67	81.62	79.20	54.23	62.75	64.18	85.49	72.39	72.87
Norway (33)	239.39	-0.3	232.08	159.31	183.58	208.65	-0.5	2.45	240.09	232.97	159.54	184.59	209.78	243.73	202.76	209.16
Singapore (44)	447.58	0.3	433.91	297.84	343.22	291.18	0.3	1.38	446.36	433.12	296.81	343.19	290.34	465.21	346.10	353.47
South Africa (45)	389.36	0.4	377.48	259.09	298.57	330.15	0.3	3.14	387.78	376.29	257.69	298.15	328.23	437.76	315.28	315.28
Spain (37)	165.48	2.2	160.42	110.12	126.89	156.24	1.8	3.87	161.86	157.06	107.56	124.45	153.55	175.88	124.10	134.22
Sweden (47)	332.68	-0.2	322.52	221.38	255.11	336.32	-0.4	2.30	333.23	323.35	221.43	256.21	337.75	342.58	232.23	235.34
Switzerland (39)	234.08	0.9	226.93	155.77	179.50	174.12	0.8	1.56	231.88	225.00	154.08	178.28	172.87	239.55	171.94	178.39
Thailand (46)	179.70	-0.4	174.21	118.58	137.80	175.77	-0.4	1.85	180.50	175.14	118.94	138.78	176.53	193.95	130.15	140.76
United Kingdom (205)	232.44	-0.3	225.34	154.68	178.24	225.34	-0.4	4.05	233.22	226.30	154.98	179.31	226.30	235.50	190.41	199.82
USA (631)	266.63	-0.5	258.49	177.43	204.46	266.63	-0.5	2.17	267.96	260.01	178.06	206.02	267.96	269.11	187.20	196.68
Americas (778)	243.01	-0.5	235.59	161.71	186.35	204.29	-0.5	2.17	244.31	237.06	162.34	187.84	205.35	245.54	180.00	181.45
Europe (730)	205.92	0.0	199.63	137.03	157.91	178.34	-0.2	3.00	205.86	199.76	136.80	158.28	178.62	206.81	169.83	175.38
Nordic (137)	288.59	-0.3	279.78	192.05	221.30	252.27	-0.5	2.22	289.44	280.86	192.33	222.54	253.58	295.02	222.22	228.51
Pacific Basin (832)	162.83	-0.2	157.85	108.35	124.86	111.43	-0.1	1.21	163.16	158.32	108.42	125.44	111.55	171.87	148.86	154.97
Euro-Pacific (1562)	180.68	-0.1	175.16	120.24	138.55	136.75	-0.1	2.06	180.85	175.49	120.17	139.05	136.93	183.39	159.92	163.38
North America (732)	259.78	-0.5	251.84	172.87	199.21	259.13	-0.5	2.18	261.06	253.32	173.48	200.72	260.41	262.28	182.77	194.17
Europe Ex. UK (525)	186.71	0.2	181.01	124.25	143.18	151.73	0.0	2.43	186.28	180.76	123.78	143.22	151.74	187.97	152.92	156.18
Pacific Ex. Japan (350)	293.58	0.1	284.81	195.36	225.13	256.76	-0.1	2.89	293.43	284.73	194.98	225.60	256.91	293.58	229.25	232.96
World Ex. US (1754)	182.00	-0.1	176.44	121.11	139.56	140.92	-0.2	2.09	182.23	176.83	121.10	140.11	141.16	184.71	159.65	163.29
World Ex. UK (2180)	205.81	-0.3	199.52	136.96	157.82	172.31	-0.3	1.93	206.39	200.27	137.15	158.68	172.82	207.64	170.18	171.33
World Ex. Japan (1903)	240.92	-0.3	233.56	160.32	184.74	227.13	-0.4	2.51	241.62	234.46	160.56	185.77	227.35	242.17	187.55	189.75
The World Index (2385)	208.18	-0.3	201.83	138.54	159.64	177.11	-0.3	2.12	208.78	202.59	138.74	160.62	177.65	209.73	172.24	173.83

Latest prices were unavailable for this edition.

هكذا من الأصل

EUROPEAN BUSINESS PROPERTY

An uneven and slow recovery

The greatest enthusiasm for property investment comes from Germany, with London and the Netherlands the favoured destinations for its capital, writes Simon London

Look out of the window of any tower block across almost any European city and the view will be much the same: modern buildings which are full of tenants, an increasing number of empty old buildings, and a small handful of cranes.

The mix of these ingredients varies across the continent. Central London can probably boast the most cranes, although it is also suffering very high vacancy rates in older properties.

In Paris, property development has almost ground to a halt.

There are also exceptions to the general rule: Berlin, for example, is suffering from a surfeit of modern space following the building bonanza of the last three years.

But the general picture is of property markets which are only slowly recovering from the ravages of the last property downswing.

Modern stock is being taken up as tenants take advantage of relatively low rents to upgrade their accommodation.

Older premises are being vacated and in many cases have no immediate prospect of finding new occupants.

Property developers – and the banks and investment institutions which finance them – are in general not yet confident enough to finance new buildings. Current rents are too low to justify fresh development and are still falling in many cities.

The resulting two-tier market, divided between desirable modern offices and unlettable older buildings, makes a nonsense of aggregate vacancy rates.

In Frankfurt, for example, about 8 per cent of the office stock is vacant – a very high level by historic standards. Yet modern office space in the traditional financial services heart of the city is now in very short supply.

London is also a victim of this tiering. Despite a vacancy rate of around 10 per cent, there are virtually no new self-contained office buildings available in the West End, the traditional home of company headquarters.

The City of London is very short of large buildings offering the kind of big floors favoured by investment banks, the mainstay of London's financial economy.

Against this background it is perhaps surprising that so few cranes have sprouted on the skylines of Europe's business centres. But the upswing of the current property cycle is likely to be constrained by three factors:

- low economic growth and low inflation, which mean that headline rents are unlikely to rise until there is an unambiguous imbalance between supply and demand for office accommodation.
- corporate restructuring and public sector slimming, which appears to be reducing aggregate demand for office space in most European countries.
- the financial consequences of the last downswing, which left many banks nursing heavy real estate losses and made them wary of large property exposures.

The proliferation of plans to "spin-off" the property assets of banks in France and Scandinavia could signal a clean break with the past. With old problems ring-fenced at last, it is possible that lenders will start to look more favourably on property investment and development.

That said, the memory of the downturn will probably linger in the institutional memories of Europe's banks for some years to come. Fears of another Schneider-type property failure in Germany were not realised last year, yet banks are still extremely cautious about advancing new loans. Speculative office development has a very bad image indeed.

With office markets largely subdued, investors have turned their attention to other forms of real estate.

Shopping centres have been a favoured target for cross-border investors such as Hammerson of the UK and Rodamco of the Netherlands.

The UK property investment market has advanced one stage further, embracing out of town retail parks – shed-style developments which its relatively relaxed planning regime has allowed.

It remains to be seen whether countries such as the Netherlands and Germany, which have hitherto resisted the expansion of out-of-town retailing, follow the same path.

Retail enthusiasts argue that Europe's shopping habits are still way behind those of the US. As shoppers turn towards shopping centres and consumer spending increases, the argument runs, retail rents in good locations should rise faster than office rents.

Despite the convergence of Europe's economies desired by politicians, though, there remain wide divergences between the performance of property markets.

Hard figures are difficult to come by in most European markets. However, from the few figures which are available, it is clear that European property markets are out of step.

Thus UK commercial property delivered a total return of only 3 to 4 per cent during 1995. Yet in the Republic of Ireland, returns were a more healthy 12.9 per cent – albeit 2.7 percentage points lower than in 1994.

Pension fund investors in the UK and the Netherlands – the only countries which have large, funded pension schemes – are questioning why they invest directly in property at all.

Big Dutch funds anch as ABP and PGGM have reorganised their property portfolios into a number of distinct funds which could be floated on the stock market in future or used to bring in other investors.

The UK is blazing a trail towards property derivatives, which would bring real estate into line with bond and equity markets. A group of institutional investors led by AMP Asset Management hope to launch a series of over-the-counter forward contracts based on property performance indices.

However, such index-linked derivatives will be impossible to launch in other European countries until reliable performance indices are available. A concerted effort among investors on this front would be the first step towards bringing property out of the investment dark ages.

The greatest enthusiasm for property investment comes from Germany, where open-ended property funds are attracting billions of D-Marks from ordinary German investors.

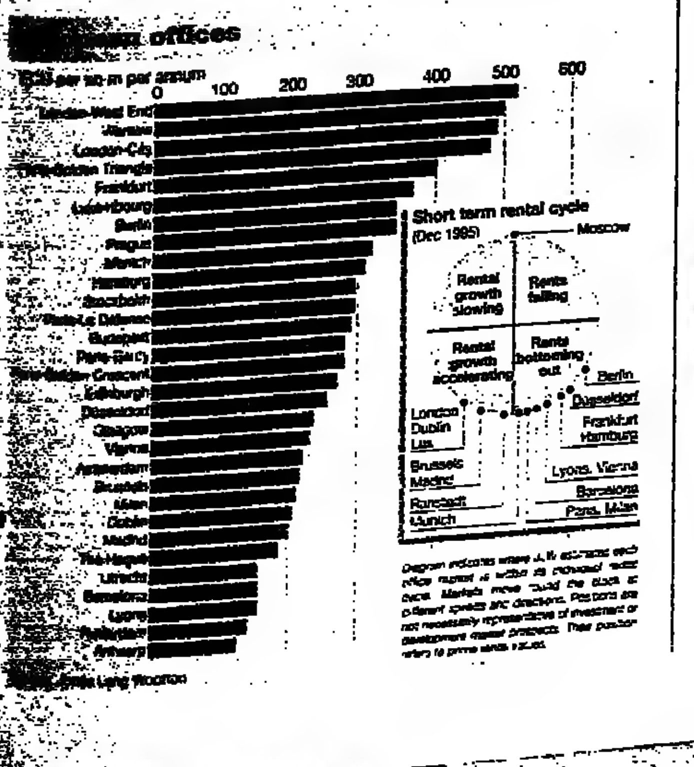
At DM7bn, the inflow of funds received by the open-ended funda was well below the staggering DM14bn inflow of 1993. But it was still enough to make German funds the dominant force in European property investment.

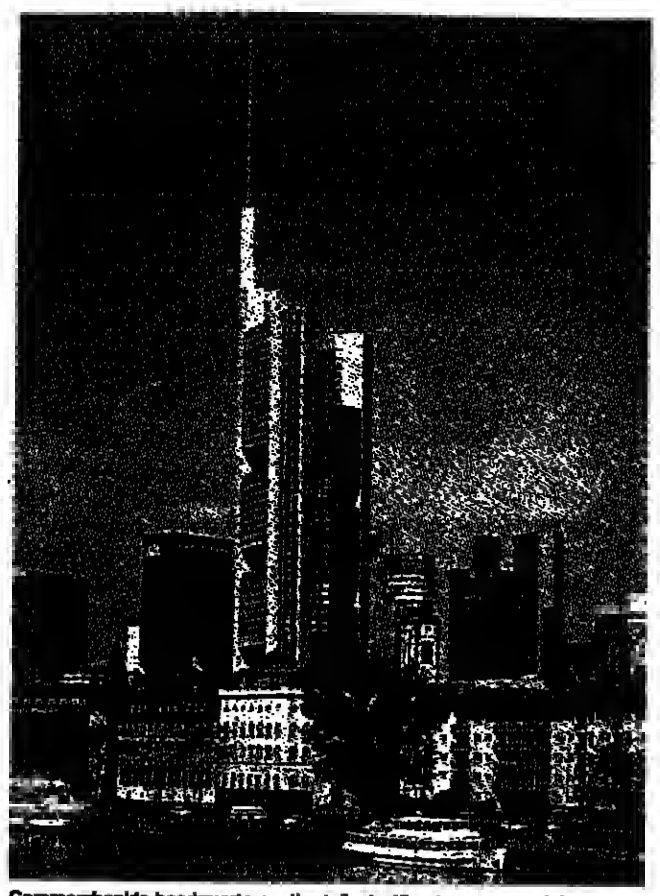
With DM4bn flowing into the funds' coffers during January alone, they will also play a crucial role during 1996.

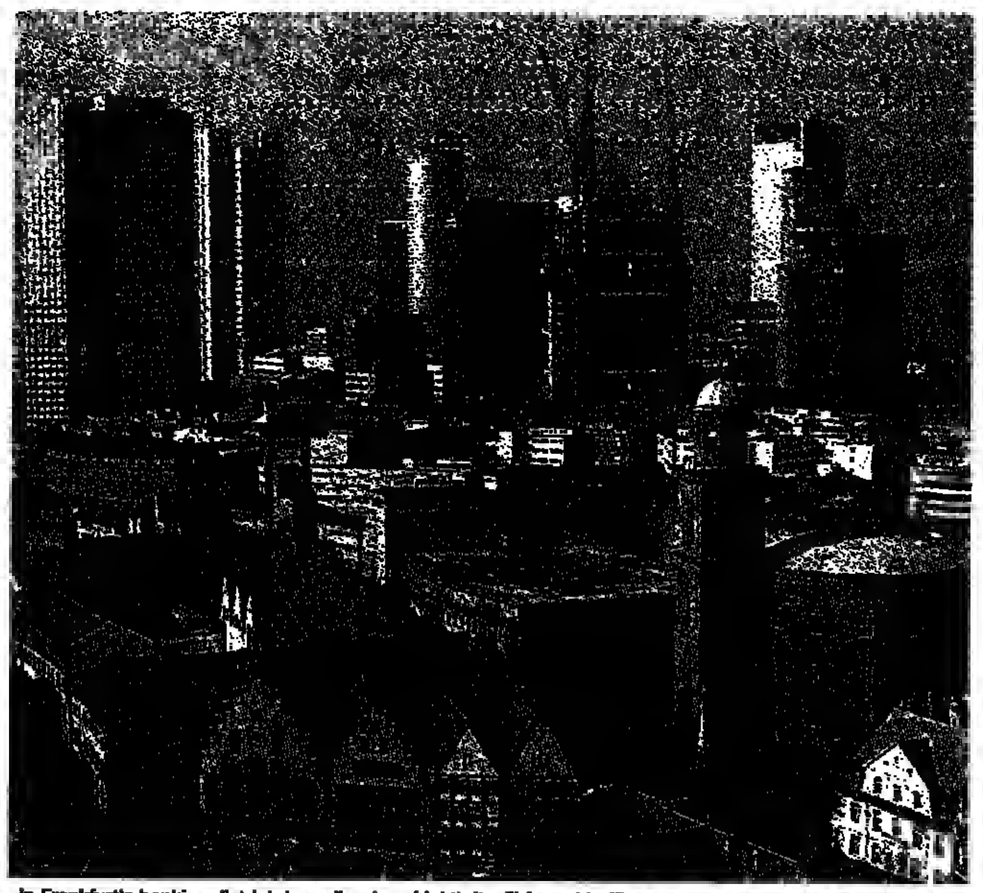
London, probably the most liquid of Europe's property markets, and the Netherlands are the favoured destinations for German capital. Last month the Lloyd's of London headquarters was acquired for £180m by Despa, the second largest German fund, which is also financing the largest development project in the Netherlands.

The French market has so far escaped the wave of German investment. France's tax system means that most real estate transactions are structured as corporate deals. The rules which govern Germany's open-ended funds do not allow them to buy companies.

However, there are moves to relax the investment restrictions on the funds. This could open the Paris office market to them and, possibly, lead to corporate takeovers in countries such as the UK.







Commerzbank's headquarters – the tallest office tower on mainland Europe – in Frankfurt's banking district. In earlier days (right); it will free old office space when it has been completed

Ralph Braun (right)

■ **Belgium and the Netherlands:** by Lionel Barber and Simon London

Resilient and subdued

Brussels, as Europe's capital, has the edge in drawing power over its neighbours

Thanks to the ever-expanding presence of the EU's principal institutions – the Council of Ministers, the European Commission, and the European Parliament – the Brussels property market has remained remarkably resilient.

While rents in London and Paris have dropped as much as 50 per cent, rents in Brussels have fallen only by around 10 per cent to 15 per cent from the boom levels of the early 1990s.

The EU's enlargement in January 1995, which took in Austria, Finland, and Sweden, has fuelled the need for more administrative space.

The trend is likely to continue in the light of the Union's pledge to absorb new members from central and eastern Europe, as well as Cyprus and Malta, around the turn of the century.

For companies, Brussels remains one of the least expensive office locations in western Europe in terms of office rental and capital values – though companies are starting to complain about the high level of taxes inside the city's 19 communes.

Mr Michael Bamber, managing director of Richard Ellis in Brussels, says the vacancy rate in Brussels is about 8 per cent, mostly in older buildings. That amounts to about 8m sq m of stock. "Rents in the modern buildings are holding firm because the vacancy rate has been reduced," he says, "but rents are still falling in the older buildings."

He puts the rent level for a typically modern, refurbished building at around BFr7,900 per square metre per annum.

Restrictions on development in the centre of Brussels – with the exception of the Quartier Léopold which houses the main EU institutions – are encouraging companies to migrate to the periphery in areas such as Waterloo and Hoeilaart in the south and Zaventem and Diegem in the north.

The amount of new space in the periphery fell by 53 per cent, according to a survey by Knight Frank & Rutley which reported record take-up in 1995 of 430,000 sq m.

Recent moves include Bristol-Meyers Squibb, the US pharmaceutical company, Unilever, the Anglo-Dutch consumer products group, and Hermes, the European rail consortium. Mr Jean-Claude Vandecauter, general manager at Knight Frank & Rutley, points out that Brussels is also attracting newcomers such as Chrysler and Cable & Wireless.

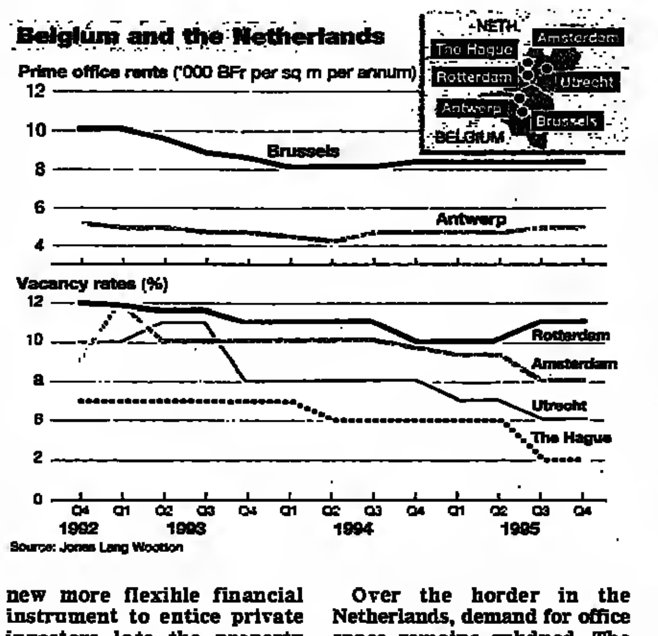
In an effort to stimulate the investment market, the government last year introduced a new more flexible financial instrument to entice private investors into the property market rather than leaving the field to the big insurance companies. The instruments – known as Sicafis – are investment funds which do not involve capital gains tax or income tax, just a withholding tax on the paid dividend.

> Slough Estates says Sicafis have been a useful addition to the market. It has been in one of the biggest deals in Brussels in recent months

Mr David Simons, Slough Estates' group executive director for continental Europe, says the Sicafis have been a useful addition to the market.

Slough has been involved in one of the biggest investment deals in Brussels in recent months, picking up land and property in a prime location in Diegem, between Nato headquarters and nearby Zaventem airport for £13m.

Slough bought a warehouse and office from IBM, secured a subsequent leaseback arrangement to release income; and it has a 19.3 acre site to match its earlier 8.5 acre site bought from Goodyear earlier in the year.



Source: Jones Lang Wootton

Over the border in the Netherlands, demand for office space remains subdued. The main "Randstad" cities – Amsterdam, Rotterdam, The Hague and Utrecht – are still struggling with relatively high vacancy rates.

The problem is worst in Rotterdam, where development activity over the last few years has left the city with an oversupply of relatively modern office space. Developments such as the modern Brainpark complex to the east of the city centre are attracting tenants away from the old core.

The vacancy rate in the city is still around 10 per cent and there is little immediate hope of prime rents breaking the Fl300 per square metre barrier.

The performance of the Amsterdam office market has been equally uninspiring. Top rents have if anything declined slightly since 1994 to about Fl375 per square metre – against Fl475 per square metre four years ago.

Office development activity has ground to a halt, except for big owner-occupier projects such as ABN Amro's plan to build a new headquarters outside Amsterdam city centre.

Dutch fund managers stepped up their investing activity last year. But there is palpable disillusionment with the office investment market and a gradual shift in favour of the retail sector.

Property agents estimate that the big Dutch companies and funds committed about Fl2.8bn to commercial property in 1995, an increase of about 20 per cent. Acquisitions of shops and shopping centres accounted for the lion's share of this total.

"Dutch funds will return to the office market, the question is when and at what yield. We don't know the answer yet," says Mr Karel Ahbenes of Jones Lang Wootton in Amsterdam.

Even so, the Dutch retail sector faces uncertainties all its own. Retailers' margins are under pressure in an environment of very low consumer spending growth and minimal inflation.

Moreover, the established presumption against out-of-town retail development is slowly being relaxed by government.

The stock of out-of-town retail space is gradually increasing and this could put downward pressure on rents in some locations.

The office market has good reason to be thankful for the liquidity provided by big German property funds.

Prime offices remain the favoured investment medium for these funds and the Netherlands is regarded as offering higher yields than Germany but with little currency risk.

About Fl700m was spent last year by German open-ended funds, with more big deals on the way this year.

Despa, the second largest open-ended fund, has agreed to build a new 55,000 sq m office facility for the Dutch government in The Hague, in what will be one of the country's largest development projects.

Spending by German funds is the main reason why prime office yields in the Netherlands have declined by perhaps a quarter of a percentage point over the last year to about 6.75 per cent.

In contrast, secondary office property yields have been gradually trending upwards.

There is every sign that the Dutch office market will continued to be favoured by German funds.

Yields remain about 1.5 percentage points higher than in Germany, yet the guilder remains firmly anchored to the D-Mark, which means that the Frankfurt-based funds are taking little currency risk.

■ **Spain:** by Tom Burns

Housing holds the key

The markets had hoped for a clearer victory in the election but still expect a recovery

Property in Spain spent last year hovering about the same depressed levels of 1994. But some sensed 1996 would bring about changes for the better. These optimists were almost wholly domestic property investors. This was, in itself, interesting, for rebounds in Spain tend to be led by foreigners. In the event, the movement in the market was due to Spanish private investors and a clutch of domestic insurance companies such as La Mutua Madrileña which bought a twin-tower landmark in central Madrid, the Torres de Colón, from the Heron group for Pta9bn.

This acquisition, and smaller deals by Agrupación Mutua, Catalana Occidente and Crédito y Caución, both insurance companies, were fuelled by the obligation of the domestic insurance sector to hold property assets. But there appeared to be more to such movement than merely meeting regulatory requirements.

On the home side, those who did not take the plunge looked as if they were poised to do so. There was an air of expectation because domestic investors were taking note of political and economic prospects which, they believed, pointed to an improved business climate.

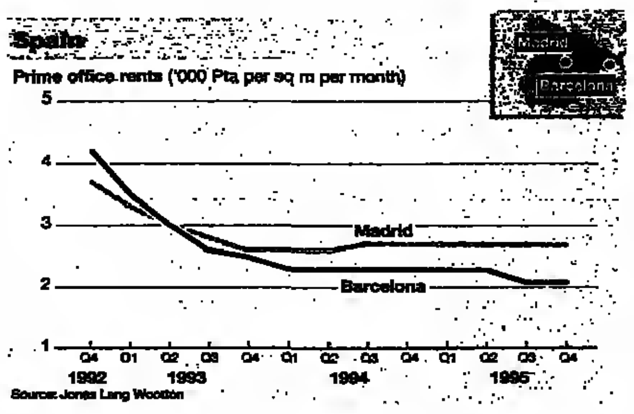
More hesitant foreign investors did not see value in the market and stayed out. It is possible that this cautious foreign view of Spain is essentially misplaced because it fails to take sufficient account of encouraging domestic economic fundamentals. Spain's gross domestic product, despite a slowdown in the second half of last year, is reckoned to have shown a respectable 3 per cent growth for 1995, up from 1.9 per cent the previous year. A similar performance is forecast as achievable this year.

More importantly, the Bank of Spain initiated a downward trend in its benchmark interest rates at the beginning of the year when it anticipated a sharp fall in the consumer price index in February that brought headline inflation to below 4 per cent. This was its lowest level since 1969.

With the peseta looking steady (it was devalued by 7 per cent in March last year and subsequently recovered its lost ground), it now looks as if Spain could be entering a period of sustained and sustainable growth in an environment of low interest and inflation rates.

The picture looks better when political issues are added, and this was clearly what the domestic investors were doing. The confidence hinged on the March 3 general elections which brought the centre-right Popular Party to power, albeit without an overall majority, and ended 13 years of Socialist governments. Since well before the polls, the market had remained static and the linkage was repeatedly emphasised by all the top companies. "No major movement of occupiers is expected in Madrid until after after the March elections," Richard Ellis reported in its final 1995 European office bulletin.

Pent-up consumer demand has been demonstrably building up over the past 12 months in anticipation of a centre-right electoral win. The new centre-right administration was perceived as capable of restoring confidence and a business-friendly atmosphere.



Source: Jones Lang Wootton

The markets had hoped for a clearer victory by the Popular Party but they nevertheless expect a recovery as domestic consumption and investment push economic growth along. The property market must, in all logic, be among the first to benefit from renewed confidence and expectations because it is cheap by any standards.

Mr Roger Cook of Healey and Baker's Madrid unit reckons that prime site office rents, having remained stable for the past six to nine months, have now "bottomed out".

At present revamped, modern, quality locations in the prime Castellana area go for Pta2,500 per square metre and agents say they have to struggle to get Pta3,000. Tha yardstick is that, some five years ago, when the economy was booming before it suddenly bust in 1992, such locations would have realised up to Pta5,500 per square metre.

It seems clear that the prime sites can go quickly as demand picks up – in the midst of the slack period well over 60 per cent of the take-up was in the prime areas – and late last year there was already evidence that prices were begining to harden. Since there is not, in fact, an oversupply of prime modern and spacious locations, interest is shifting to the softer areas of the business district.

This means moving up to the northern end of the Castellana or moving out of town altogether, particularly to the Campo de las Naciones and La Moraleja business parks on the M-40 ring road belt. Rents for top quality offices in these parks are a bargain at Pta1,800 per square metre.

■ **Italy:** by David Lane

Step into the future

Pension reform and fresh private funds should create new property investors

Italy's commercial property sector took a step into the future last month, believes Mr Paul Bacon, of property consultants Healey & Baker Italy. The first non-food retail warehouse development is now on the slips and should be launched at the end of 1998. It follows a pattern well-established in northern Europe.

The project, for which Healey & Baker act as exclusive selling agents and in which two Italian constructors and developers, Adanti and Galotti, partner the UK specialist retail warehouse developer Wyncote, will build 65,000 sq m of warehousing on the north-eastern outskirts of Bologna. Work should start next year at the site, formerly owned by a local authority body, and negotiations are well advanced with prospective purchasers of space among European leaders in the furniture, electrical goods, sports goods, toys and do-it-yourself sectors. "The end value of the project is expected to be around L200bn," says Mr Bacon.

Several factors worked in favour of the project, not least the availability of a suitable site. Parco Commerciale Citta' Scali is about 15 minutes drive from Bologna's centre and close to the ring-road exit for the Bologna trade fair. "Bologna is a major city, capital of Emilia Romagna, one of Italy's richest regions, and has a population of about 900,000 within a 30 minutes drive of the site," says Mr Bacon. In addition, a 30,000 sq m non-food retail warehouse project involving Healey & Baker and Wyncote will be getting under way at Rimini on the Romagna coast about six months after the Bologna trail-blazer.

Financing arrangements for the Bologna project are different from typical UK developments in which institutional investors play a key role. Whereas in Britain space would be let to retailers with the development sold or pre-sold to investors, retailers will be buying space in Italy, at least in the first projects.

Bologna's project adds some sparkle to a dim Italian commercial property scene from which investors are generally absent. Nothing significant had happened in retail property since the 14,000 sq m Curno centre development near Bergamo two years ago, in which the Milan subsidiary of property consultants Richard Ellis advised buyer Schroders International Property Fund. It is

Continued on Page III

■ **Germany:** by Simon London

Market lacks sparkle

The biggest problems lie in the east with vacancy rates high and expectations low

Although German investors have been the biggest buyers of European property for the last three years, the immediate outlook for German market is far from bright.

Big funds have been funnelling billions of D-Marks into real estate, but rents in many cities have been slipping against a background of disappointing economic figures.

Germany was surprised by the speed of its economic upturn two years ago, but the recovery proved short-lived. Growth stalled in the second half of 1995 and the outlook for this year is hardly enough to ignite the property market. Most forecasters are predicting a real gain in gross domestic product of about 2 per cent in 1996.

The biggest problems lie in the property markets of eastern Germany, where vacancy rates are high and the post-reunification expectations of investors have been disappointed. In Leipzig about 14 per cent of the office stock is empty. The office vacancy rate in Berlin has climbed to 6.5 per cent and will rise further as developments planned in the aftermath of reunification become available for leasing.

The outlook in western Germany is better, but rents in cities such as Frankfurt remain under pressure. Prime rents in Germany's financial capital are now at about DM60 per sq metre per month – less including concessions granted to tenants – down from DM75 two years ago and DM90 in 1991. The balance of supply and demand also continues to move in favour of tenants. The vacancy rate for office space is now around 8.2 per cent, very high by historic standards.

These figures disguise shortages of more modern offices in prime locations. As in most European centres, most of Frankfurt's vacant office space is in older buildings.

"If you are looking for 5,000 sq m in the banking district ready to occupy in the next three months, I have to tell you that there is very little choice," says Mr Chris Bull-Diamond of Wetherall Green and Smith's Frankfurt office.

Take up of new space in Frankfurt was better than expected last year. DTZ Zadelhoff, the property agent, estimates that 310,000 sq m of office space was leased, about 24 per cent more than in 1994.

The experience of Hamburg, Munich and Düsseldorf was much the same. However, most lettings involve existing tenants taking the opportunity of lower rents to upgrade their accommodation. Net absorption of office space remains poor, although Munich and Düsseldorf have fared better than most other German cities.

More old space will be released in Frankfurt when Commerzbank occupies the city centre head office building – the tallest office tower on mainland Europe – which is now under construction.

The bank is expected to vacate at least 60,000 sq m of space in its many older buildings around the city.

Against this background, developers in Frankfurt and alsewhere will struggle to achieve premium rents for the new space now under construction in fringe areas.

The largest of these projects in Frankfurt is the "Castor & Pollux" scheme in the shadow of the Messeturm tower. The developers – Despa, the open-ended fund, and PGGM, the Dutch pension fund – are hoping to achieve rents of DM68 per sq metre for their twin towers. Unless market conditions turn in their favour, though, effective rents in the high DM50s looks more likely.

Developers in Berlin are also faced by an uncertain few years until the planned transfer of government from Bonn stimulates serious demand for office space there. The property investment market shows from the outside little sign of strain. Big investors, mainly the open-ended funds, continue to allocate significant new cash to property. Yields on prime property remain at around 5 per cent, among the lowest in Europe.

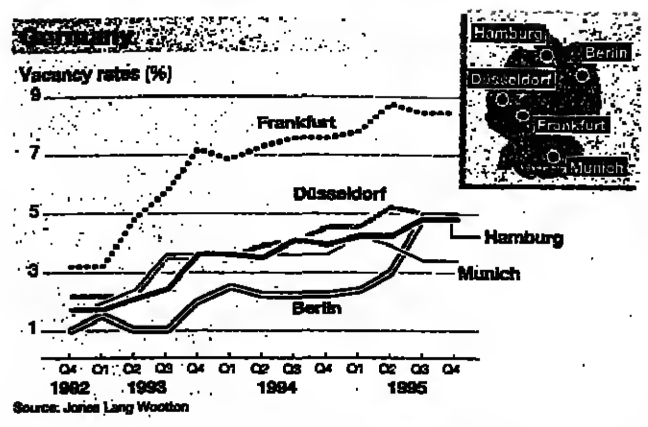
With cash still flowing into open-ended funds – DM7bn last year and a remarkable DM4bn in January alone – demand is likely to keep prime yields at around this level.

Meanwhile foreign funds continue to withdraw from the German market, partly because prime yields remain so low. Last year Rodamco, the Dutch company, sold most of its Westend Caree office complex in Frankfurt. MEPC, the large UK property company, is looking for a buyer for its DM300m German portfolio.

Only in the retail sector is there significant demand from overseas investors. P&O, the UK shipping and property group, and Stadium, a private company which owns Meadowhall, the UK's most successful regional shopping centre, are building the DM2bn CentreO retail and leisure complex at Oberhausen. Rodamco and Hammerson of the UK have also indicated that they would like to acquire large retail schemes or developments.

Germany's retail markets are generally regarded as less developed than those of France or the UK. Deregulation of shopping hours and planning restrictions are expected to bring long-term gains for property owners.

Moreover, demand for space from retailers, many of them international chains expanding into Germany, remains strong. Yields are no higher than in the office sector. But unlike the office market international investors can scent sufficient rental growth to give them an acceptable overall return.



Source: Jones Lang Wootton

■ **United Kingdom:** by Simon London

Uncertainty ahead

Overseas investors have proved better at market forecasts than home fund managers

The UK property market is still travelling hopefully after 18 months of falling rents and capital values. Last year was a massive disappointment, with property investment delivering total returns of only 3 to 4 per cent.

Although the economy is slowing, investors are still hoping that 1996 will finally see the start of a prolonged upswing. The Royal Institution of Chartered Surveyors forecasts that property values would rise by 6 per cent this year, suggesting a healthy total return of 13 to 14 per cent.

The institution expects most of the improvement to come from retail property. It says that consumer spending will increase this year, helped by tax cuts and falling mortgage rates.

However, the UK property market has a recent history of underperforming similar forecasts. The overhang of empty space from the 1980s is taking longer than expected to clear because demand for commercial space from tenants remains subdued.

Within this uncertain overall picture, though, there are areas of obvious strength:

● leisure property has become fashionable with investors as more integrated leisure parks – sites including cinemas, restaurants, bowling and bingo – have been developed. Larger property companies such as MEPC and British Land are committing funds to the sector alongside niche operators.

● retail warehousing continues to deliver strong rental growth as tenants compete for space in the best schemes. Again, the market is dominated by a mix of small niche property companies and larger investors such as Land Securities, the largest UK property company.

● shopping centres, especially larger centres, continue to flourish. Tough government planning rules mean that few new regional shopping centres will be built. Those with planning permission – such as Blue Water Park in Kent, being developed by Lend Lease, the Australian property and financial services group – have become a scarce commodity.

Developers are also turning their attention to rebuilding the 1960s generation of shopping schemes. The largest such project is the proposed £200m redevelopment of the Bull Ring in Birmingham by Hammerson, the UK property company.

The outlook for some segments of the office property market is also reasonably bright. Modern buildings in the City and West End of London are in short supply, for example, despite an overhang of older unwanted buildings.

Most of the better buildings left over from the 1980s development boom are now occupied.

Landmark deals during 1995 include the letting of the futuristic Ark Building in Hammersmith, west London, to Seagram, the Canadian drinks and media group. CentreWest, nearby, has been chosen for its new headquarters by Disney, the US entertainment group.

Canary Wharf, the large office development in Docklands, is now 80 per cent let following lettings to tenants including BZW, the investment bank, and Reader's Digest, the US publisher.

In the West End, Grand Metropolitan, the food and drinks group, leased Henrietta House, the last big building in the area left over from the last development wave.

This diminishing supply of new space has encouraged developers to start building once again. Although finance for speculative development remains difficult to find, property agents believe that more schemes will spring to life if top rents creep higher.

Leading provincial centres such as Leeds and Manchester are also experiencing a wave of redevelopment, fuelled by a similar shortage of new office space.

The existence of bright spots amid the general gloom is one reason why international capital continues to flow into UK commercial property. In 1995, £1.78bn was invested from overseas, slightly more than in 1994, according to DTZ Debenham Thorpe, the chartered surveyors.

The biggest single contribution came from the consortium of mainly US investors which acquired Canary Wharf for £800m. But European investors show no sign of backing off.

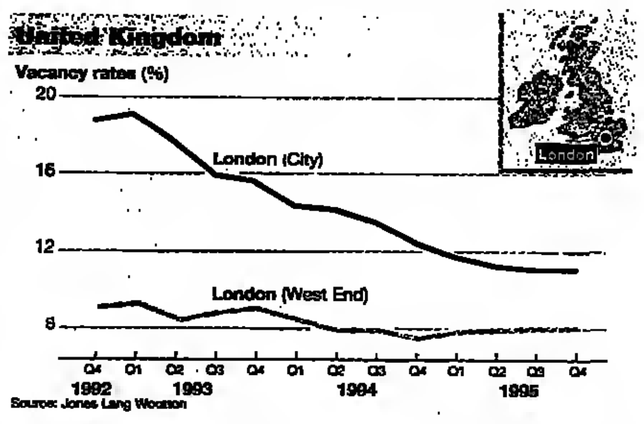
CGI, the German open-ended fund, is financing two of London's largest redevelopments – at One Curzon Street, Mayfair, and Milton and Shire Houses in the City.

Despa, another German fund, recently acquired the distinctive Lloyd's of London headquarters building for £180m. AP Fonden and Skandia of Sweden and Rodamco of the Netherlands have also been active.

In recent years overseas investors have proved more adept at predicting the fortunes of the UK property market than many domestic fund managers. The acquisitions made by German funds in 1992 and 1993 proved to be highly profitable as property yields declined.

But it would be unwise to anticipate a similar yield shift during 1996. UK government bond yields, which exert a powerful pull on property, declined through the second half of 1995 but are now heading back up.

Lower short-term interest rates could make it easier to finance property transactions with bank borrowings. This could help support values for a while. However, lasting recovery in property values demands widespread rental growth, fuelled by underlying demand from tenants. In all but a few segments of the market, this seems a distant prospect.



Source: Jones Lang Wootton

■ **France:** by Andrew Jack

Gloomy short-term outlook

Government efforts to boost the property market have been seen as inadequate

As international property experts gather for the annual extravaganza of Mipim, their professional body, in Cannes in the middle of this month, the mood of their French hosts remains far from elated.

While some executives and commentators are beginning to see signs of positive change, others remain far from optimistic about the short-term prospects for the national property market.

For the last two years, large French groups with property exposure have been promising that "the worst is past" – and then swiftly going on to offer more bad news. That goes for property developers themselves, but also for others with large investments in the sector, notably insurers, banks and other financial institutions.

Take Suez, the flagship industrial and financial holding company, which had substantial property exposure through operations including Indosuez, its banking arm. After Mr Gérard Worms, the then chairman, announced "once and for all" property provisions of FFr7.6bn for 1994 in March last year, his successor Mr Gérard Mestrallet in October added a further FFr4bn for the first half of 1995 alone.

Mr Jean-Marie Messier, managing director of Générale des Eaux, the utilities group, in the same month announced a sharp fall in profits, a restructuring of its property holdings and warned of provisions of FFr6bn-FFr7bn for the full year. AGF, the state-owned insurer, took FFr2bn in charges for the first half of 1995, a large amount on property, and then at the end of last year, GAN, its state-owned rival, announced the need for a further FFr9bn in asset sales, much to help handle its property difficulties.

January brought an intense crisis at Crédit Foncier de France, which is quoted but with executives appointed by the government. Rating agencies downgraded, the share price plummeted, and its costs of borrowing soared to the point where the Caisse des Dépôts had to intervene and provide a short-term emergency credit line. The state intervened to replace the head of the institution.

Most recently, at the end of January, Bouygues, the French construction group, unveiled FFr4.4bn in provisions for the year, including some FFr2.1bn against its property investments.

In the background, there has been the continued restructuring of Comptoir des Entrepreneurs and Crédit Lyonnais, two state-controlled institutions that in the last few months received European Commission approval to proceed with government-backed restructuring plans costing up to FFr45bn and FFr13bn respectively.

Some argue that many of these corporate restructurings say as much about the round of new appointments to senior executive positions in a number of the leading French groups - all of whom have been keen not to pass up a good chance to make provisions against past management actions - as they do about the current state of the property market.

On the other hand, while it was certainly possible for the big companies carrying heavy property investments to hold their breath and hope the bad news would rapidly blow over in the past, the conditions have clearly changed.

There has been growing pressure as their competitors began to make write-downs, needed to liquidate assets, and came under the scrutiny of banking regulators and auditors.

Equally, the shake-out across the industry suggests a considerable risk of over-supply which will continue to exert downward pressure on market prices - notably in Paris.

"We lived through a non-market during 1995," concluded Bourdais, the French property consultants, in a recent gloomy report. It highlighted a sharp drop in investment in the market, and rental trends which are only just beginning to stabilise after steady declines since 1990.

However, not everyone is so negative. "We are close to the lowest level of the market," said Mr Léon Bressler, chairman of Unibail, the commercial property developer, when announcing his group's 1995 results recently. "The market has been going through a correction. It will rebound after 1997."

Unibail reported profits up 10 per cent to FFr265m, and revalued all its properties in current terms, which revealed capital gains of FFr1.31bn to compensate for write-downs of FFr1.29bn.

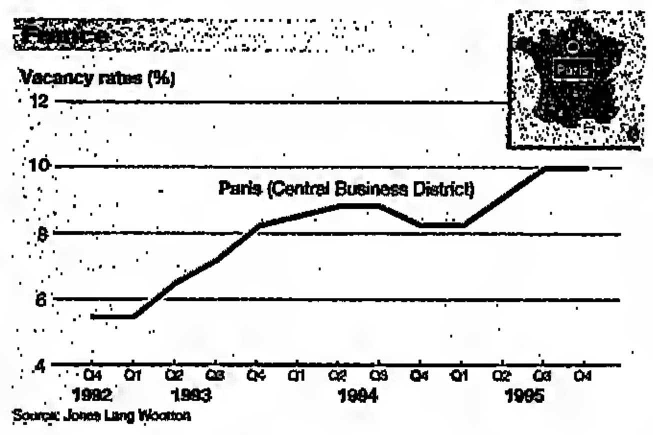
Some notable deals did take place during 1995, involving Axa, Standard Life, UAP and Unibail. Equally, foreign investors are beginning to express interest in the French market again. Bourdais put the value of their investments at FFr1.7bn last year.

While some sectors - notably old-fashioned, central Parisian, offices ill-suited to modern corporate needs - have suffered, others have done far better.

Mr Philippe Bresteau, a director of Richard Ellis, the chartered surveyors, in Paris, says that there is some take-up in the best areas of the capital, and that the relative shortage of supply should start to help to push rents up.

However, he stresses that companies are demanding less space overall: partly because they have restructured and employ fewer senior staff, and partly because they are allocating each staff member less space.

Overall, his firm argues that London remains a more attractive property market for investors than Paris. "There is not enough confidence in the market," he says. "It is difficult to find French investors." Developers are concentrating on renovating existing properties rather than building anything new. The French government has started to occupy itself with the property market. Late last year, it launched measures – criticised as inadequate – to help stimulate the sector, including a delay in the payment of transaction taxes on properties bought with the intention of re-sale.



Source: Jones Lang Wootton

Step into future

Continued from Page II

indicative of the low tone in the retail sector that the purchase by the Bank of Italy of a 4,000 sq m development in Bari, in which Richard Ellis advised the seller, Assicurazioni Generali, is considered worthy of mention.

Ms Marina Bottero of property consultants Jones Lang Wootton in Milan describes the investment market as soft. This applies even more to industrial property than to retail, where Ms Bottero does see considerable opportunities arising and being taken in the future. "Industrial property is just not attractive for investment," she says, pointing to the large amount of vacant industrial space around Milan.

Office property investment is also in the doldrums. Mr Roberto Trella at Richard Ellis notes that the flow of funds has dried up significantly. "Having over-invested, large Italian institutional investors like banks and insurance companies have been disinvesting," says Mr Trella. Widely considered the safest of investments, with the sharp drop in prices during the 1990s, property has failed to maintain its standing. "Property investment offered a sure, low-tax way of boosting reserves through capital gains, but the price slump has destroyed this myth," says Mr Trella.

He believes that pension reform and the creation of private pension funds should eventually create new Italian property investors. Meanwhile, it is unlikely that commercial property in Italy will find favour with international investors. They stayed away even when the market was booming.

Mr Trella gives three reasons for their reluctance towards Italy.

First, there is a widespread perception that it is a difficult market to penetrate. Indeed, the bureaucratic and planning obstacles that projects encounter generate uncertainty and make timing hard to predict. Yet, surprisingly, the contractual aspects of business leases in Italy and their drafting are considerably simpler than in many countries. Second, property taxes are high in Italy both in terms of transfer taxes and tax on corporate income from rents.

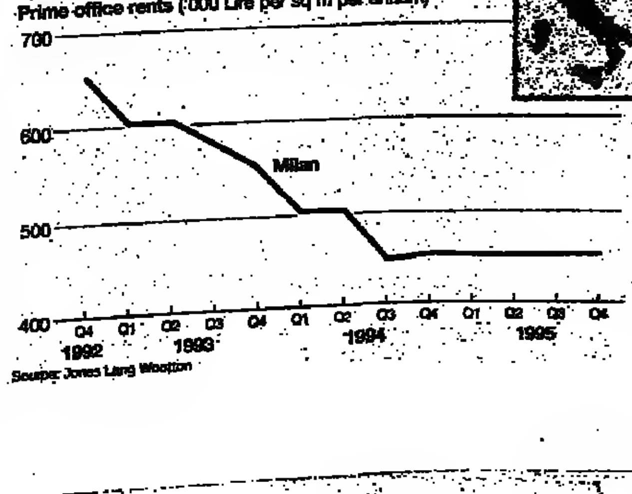
Third, as the 1990s have shown, Italy is handicapped by political and foreign exchange risk. Parliament's dissolution last month will lead in April to the 1990s' third elections and the seventh government in six years. And the lira looks as shaky as politics. Starting the decade at L740 to the DMark, the exchange rate was an average of L950 in 1993, the year after the lira abandoned Europe's exchange rate mechanism. Since then, moments of political tension have pushed the rate below L1,250/DM. Such uncertainty and wide fluctuations discourage investors.

Expectations that a combination of soft property prices and a weak lira would bring investment funds into Italy have not been met. High office vacancy rates, particularly in and around Milan, Italy's main business centre, may be partly responsible. Unofficial figures put vacancy rates at about 10 per cent in Milan's central business district and around 30 per cent in the suburbs.

The fall in prices of office properties since their 1990 peak has helped average yields to increase. They are now estimated at about 6 per cent in Milan's central business district, against less than 5 per cent six years ago. But they still compare poorly with other forms of investment.

The other side to this coin is that the letting market is offering much more to companies seeking space or renewing leases. Annual rents of prime properties in the central business district have been halved from their peak of around L800,000 per sq metre. Among Jones Lang Wootton's recent letting deals were offices at L450,000 per sq metre in Milan's Via Montenapoleone, the top fashion street where names like Gucci and Ferragamo are to be found.

Property consultants report good levels of activity in office letting. Companies continued to rationalise even after the recession at the start of the 1990s had given way to growth. The consolidation of activities from several locations to one site is common. Oversupply of office space, caused by companies' lower requirements has given them powerful negotiating clout. They have been using it. Italian letting contracts are 6 years plus 6 years, so leases signed at 1990's peak are now expiring.



Source: Jones Lang Wootton

IV EUROPEAN BUSINESS PROPERTY

■ **Markets in eastern Europe: FT correspondents look at Russia, Poland, Hungary and the Czech Republic**

Undeveloped land is expensive

The Moscow property market is – like so many other facets of modern Russia – a study in apparent contradictions.

While central Moscow is seemingly swash with undeveloped land and grand buildings in desperate need of renovation, the city's property market remains one of the most restricted and expensive in the world. There appears something economically incongruous about a market boasting some of the highest office rents in the world while the average wage remains about $100 a month. Rents of $1,000 a sq metre for prime property in central Moscow are not uncommon and vacancy rates remain extremely low.

But, as ever, these seeming inconsistencies are readily explained by the laws of supply and demand. In central Moscow, at least, there is a limited supply of high quality office space and almost unlimited demand from multinational companies wishing to move into the Russian market.

Such was the demand for the 9,500 sq m of high quality office space which has recently become available at the Japan House on Savvinskaya embankment that letting prices have climbed to $1,000-

Moscow

$1,200 a sq metre. Normally, these letting prices do not even include additional costs such as parking and fitting-out expenses, which can sometimes double the occupancy costs.

The balance of economic forces has been kept lopsided by the Moscow city government, which has taken a financial stake in many of the biggest property development projects and has a vested interest in limiting the amount of additional space that comes on stream so as to maintain high rental values.

The Moscow government, headed by Mayor Yuri Luzhkov who runs the city like a personal fiefdom, continues to own almost all the land in Moscow and generally will lease premises only for a maximum of 49 years. The city government's supporters argue its active involvement makes for a more regulated market, which will prevent the boom and bust cycles common in property markets elsewhere in the world. But in the past few months some of the heat has gone out of the market as Russian banks have drawn in their tentacles following a sectoral liquidity crunch last autumn and tenant attitudes have hardened.

The biggest obstacle facing potential property developers is the difficulty of raising finance. Sizeable long-term bank loans are hard to come by and even those that are available command prohibitive rates of interest. The legal environment is too uncertain for a property bond market to flourish. The stock market infrastructure is too weak to allow public companies to raise fresh funds for development.

The chief means of raising finance is to demand advance rental payments from potential tenants. But that can be an unpredictable undertaking for both landlord and tenant. Some unfortunate tenants have found that unscrupulous landlords "revise" the letting prices once a property has been fitted out and occupied. Such horror stories, which circulate quickly in the relatively small foreign community, serve only to bid up the prices for space owned by respectable operators.

John Thornhill

Rents on a par with Paris and London

With prime office rents at Paris and London levels, Warsaw continues to excite developers, all the more so as Poland's economy grew by 7 per cent last year with a 5 per cent increase predicted for this year. As space is set to be in short supply for a few years at least, existing projects and those now under construction are providing handsome financial returns. According to Mr Richard Petersen of Healey and Baker, the Polish capital is on the edge of a building boom as there are now fewer bureaucratic restrictions on access to land, and strong pressure from foreign investors looking for office space for growing staff teams will bring new office developments.

At the moment, the company's Warsaw office estimates that the city has 266,250 sq m of office space of quality acceptable to foreign companies occupied, while 62,350 sq m are under construction and will be let as soon as they become available.

These include 11,000 sq m in a corporate headquarters for ING Bank of the Netherlands which is soon to start construction on a site across the road from the old Central Planning Office. Also Bouygnes, the French construction company is to build a head-

Warsaw

quarters for Citibank as well as the Poland's listed BRE bank in a reconstruction of Warsaw's pre-war city hall which was destroyed during the last war and never rebuilt afterwards.

Even the past caution of the financiers who were wary of the "Polish risk" and demanded pre-letting agreements before freeing funds – this partly helps explain the present bottlenecks – is beginning to melt. "Money is becoming easier," says Ms Janet Choynowski, a corporate consultant at Prime Property.

ING Real Estate has also recently signed a letter of intent with the Warsaw City Authorities and Samsung of South Korea to build a three-storey retail, hotel and office building next to the main railway station in the centre of the city. UK retailers Marks and Spencer and Boots have expressed interest in putting shops into the project – a sign that retailing has begun to attract the attention of leading western companies.

Indeed, it is retail developments which are generating the most activity in the property sector, not only in Warsaw but across the whole of Poland. Mr Jan Chudzinski of Gerald Eve says that Poland has gone through its phase where fast food companies such as McDonald's and PepsiCo with their Pizza King and Kentucky Fried Chicken brands were looking for small sites. Now it is the large retailers which are developing ambitious plans to build hypermarkets in out-of-town locations on 5-ha or larger sites.

Macro from Holland was the pioneer and its five Cash-and-Carry supermarkets in Warsaw, Krakow, Lodz and Silesia are doing a roaring trade and are to be followed by seven others this year alone involving an investment totalling $190m since 1994.

Tesco from the UK have bought out Savia, the former state-owned retail network in Bielsko Biala and are planning to develop a chain of stores in southern Poland. Leclerc and Docks de France have said they want to build another 60 or so stores around the country. Stinnes of Germany is planning between 20 and 30 hypermarkets offering goods to the do-it-yourself sector as is Castorama of France which plans to build about 16 similar stores.

Other retailers who have opened or are planning outlets are Auchan and Casino of France. Poland can also expect to see the construction of hypermarkets worth over $1bn during the next five years.

Christopher Bobinski

Tight competition, lower returns

In 1989, there were only two or three buildings with modern western-standard office space in Budapest – by far the country's biggest city and commercial centre. Now, after a construction boom in the early 1990s, competition is tight and developers are having to cut prices to fill buildings which three years ago would have been occupied instantly.

"Most developers were extremely happy with returns on projects developed between 1990 and 1993. But it's becoming a lot tougher – rents are no longer at the high levels they were when many recent developments were conceived," says Mr Stuart Durrant, head of DTZ Debenham Zadelhoff's Budapest office. He says rents for top class office space in the city centre have been falling for three years – down from a peak of DM55-DM60 per sq metre in late 1991 and early 1992 to DM40-DM43 at present.

DTZ estimates around 400,000 sq m of new prime office space has come on stream in the past six years. In spite of falling rents and demand, however, Mr Durrant says the city – home to 2m or 20 per cent of the population – is still under-supplied compared to western Europe.

He attributes this to Hungary's sluggish economic recovery – GDP growth was just 2 per cent last year – and to lack of serious demand from local companies which occupy only 10-15 per cent of top class office space. The majority of Hungarian companies are pri-

Budapest

vate start-ups or large state-owned companies.

Much of the recent activity in the property market has involved multinational companies, expanding local operations and moving into larger and less expensive offices, often further from the city centre, says Mr Philip Cohen, a manager at Healey and Baker in Budapest.

"Several companies which entered the market three to five years ago are moving up from 100-800 sq m offices to 1,500-3,000 sq m premises," he says. Many were opting for new developments in secondary locations where prices were more competitive and on-street parking was often better than in the increasingly congested city centre. With around 65,000 sq m in high quality office space due to be completed in 1996, Healey and Baker expects vacancy rates of around 11 per cent this year.

Several of the largest new developments are in retail. Global, the Hungarian subsidiary of Tesco of the UK, for example, recently purchased a 20-ha site on the outskirts of Budapest to house one of five new supermarkets that Tesco plans to build in Hungary by the end of the decade. It has already opened a 13,000 sq m shopping centre in Gyor, near the Austrian border in western Hungary, one the few provincial cities to attract major developments. Mr Durrant says that, although the provincial market is picking up, most Hungarian towns – few of which have populations over 150,000 – are too small to attract large projects.

Other developers are planning shopping malls with Duna Plaza, the largest and first western-style mall to date, due to open later this year. The mall – a $58m development in northern Budapest – will include 160 shops, an ice skating rink, a nine-screen cinema, several restaurants, a metro link and a large car park.

Another area, where demand is strong, is in the light industrial and warehouse sector, says Mr Cohen. But, there are relatively few new developments in the sector because of high land prices and the often prohibitive costs of providing buildings with such services as electricity and link roads.

Financing also remains expensive and scarce. Mr Durrant says domestic banks are still not very active in financing property development and that foreign banks, which have provided the bulk of financing to date, are imposing stricter loan conditions as they near the top of their country lending limit.

Virginia Marsh

Cranes now vie with spires

When the Czech Republic reopened for business after the Velvet Revolution companies seeking to locate in Prague discovered quickly that the heart of the city, with its maze of ancient streets and grand old buildings, were disadvantages to modern business.

Following the restitution of property to their pre-1948 owners (or their descendants), some new owners rushed to cash in on the rising demand for offices. A hasty refurbishment of an old palace or apartment building allowed landlords to charge steep rents for space that did not have enough phone lines, electricity points, air conditioning, car parking, or even sufficient light.

Many of these buildings are now showing their age "and are not acceptable to the majority of tenants," says Mr Robert Neale, director of the Prague office of Healey and Baker. But with the city's skyline now boasting nearly as many cranes as church spires and the construction industry enjoying strong growth, things are changing fast.

About 100,000 sq m of office and commercial space came on the market in both 1994 and 1995, including both new and refurbished space, according to developers and rental agents.

Prague

Last year, supply met demand for the first time, with the largest tenants high technology companies arriving to set up sales and marketing teams, and local banks. Rents, which started out very high, have stabilised at around DM50-DM60 a square metre.

This year should see the market move a stage further. Three large new developments are about to come on the market, offering purpose-built office and retail space. Companies are already lining up to move in as they become available, according to property specialists.

Two, the Praha City Centre, located near the city's main motorway, and Darex, on Wenceslas Square in the heart of commercial Prague, have been completed and are now being let. Rents are expected to be around DM50 a square metre. Praha City Centre may have an advantage over its rival because it offers parking, but rental agents expect demand for both to be high.

A third is the Myslbek building on Na Prikope, a street at the lower end of Wenceslas Square that is already home to three of the four big Czech banks and the central bank. It has been developed by Caisse des Depôts et Consignations, the French group that is one of the biggest property developers in eastern Europe. Myslbek is a giant building, with frontage on two streets, and will offer 6,500 sq m of retail and 16,000 sq m of office space when it is completed at the end of 1996.

Perhaps the most eagerly awaited new development is currently under construction overlooking the Vltava river.

Developed by Nationale Nederlanden, the Dutch financial services group, and designed by Yugoslav and American architects, locals have dubbed it "Fred and Ginger" because of its extraordinary shape - it looks like a couple dancing, as its nickname suggests, one half ramrod-straight, the other half curvy and vivacious.

Though it has horrified lovers of classical architecture, Fred and Ginger, expected to be completed this year, will offer not only up-to-date office space but also continue Prague's celebrated tradition, which the city council is keen to maintain, of innovative and timeless architecture.

Vincent Boland

ARTS

Balancing act for English Heritage

The custodian of our nation's past is in a catch-22 situation between between lottery and government funding. Antony Thorncroft reports

Chris Green says "my job is to act as champion for the heritage". At the moment he is a somewhat battered champion: in the budget English Heritage suffered a 3 per cent cut in its 1996-97 grant, to £105m, with more misery to come.

Green, who last year switched from running Scot Rail to managing English Heritage, reckons that, on current projections, in three years time English Heritage will be £27m worse off, which will inevitably translate into more job losses, fewer grants to decaying churches and mansions, and unattended sites.

The excuse for the blood letting is, of course, the lottery. English Heritage, as custodian of the nation's past, has already popped seven bids for cash into the Heritage Lottery Board mail box, and has hit the jackpot twice, with a £112,000 grant to restore the 18th-century cascade at Chiswick House and £300,000 to repair Pendennis castle in Cornwall.

It hopes to hear soon that it has got £300,000 to improve the parkland around Witley Court, and is optimistic on receiving funds to smarten up Whitby Abbey and to prepare a visitor centre at St Augustine's Abbey at Canterbury in time for the pilgrims celebrating the 1,400th anniversary of its foundation in May 1997.

More requests will follow, culminating in a £64m application to the Millennium Commission for the resources to finally resolve access to the most important heritage site in the land. Stonehenge. The Treasury thinks that these opportunities to call on lottery money, which might total £5m this year, excuse a smaller grant.

Green is incensed. Lottery money was intended to be additional cash. There is no way English Heritage could undertake such new initiatives from its traditional grant. He is already lobbying to have the proposed reduction for 1997-98 rescinded. In the meantime he is considering his options for a year of stringency.

As a commercial man Green will not just be cutting staff and freezing grants, although the workforce of craftsmen will be privatised and many stately home owners will not have their roofing bills paid. He also aims to improve English Heritage's earning capacity which, under chairman Sir Jocelyn Stevens, has virtually doubled to approaching £20m a year.

Some of the initiatives might freeze the blood of traditionalists: at least £1m of the £4m still needed to complete the repair of the Albert Memorial by 1999 could well come from advertising hoardings around the site; the first deal is about to be signed. Raising sponsorship for concerts and other events at English Heritage properties could raise another £500,000; Tesco is happy to sponsor music at Kenwood.

English Heritage is also cashing in on its intellectual properties, like its 18th-century wallpaper designs and its Saxon rings and brooches, which are being duplicated for the Japanese and American markets. In the near future Green hopes to announce a £500,000-plus deal which will enable a pharmaceutical company to be involved in the renovation of Charles Darwin's home, Downe House in Kent.

All these financial worries are a distraction from English Heritage's main task – keeping an eye on 450,000 listed buildings; administering 400 properties from Stonehenge to Chiswick House; and creating the conservation area partnerships which have largely halted the wholesale wrecking of English towns which took place in the 1960s and early '70s.

The role as watchdog of the last resort forces English Heritage to take on, somewhat unwillingly, new responsibilities. It has just saved, at a cost of over £2m, Danson House in Bexley, which it now hopes to hand over to a college with guaranteed public access at weekends.

Its most recent rescue, for £1m, has been Wigmore Castle in the Welsh borders, an overgrown, forgotten ruin which, for lack of any obvious modern use, may be kept as a visitor attraction. This seems to have worked well enough at Brodsworth, its last lost cause, which it marketed as a Victorian time capsule and which pulled in 40,000 visitors in just 14 weeks last season.

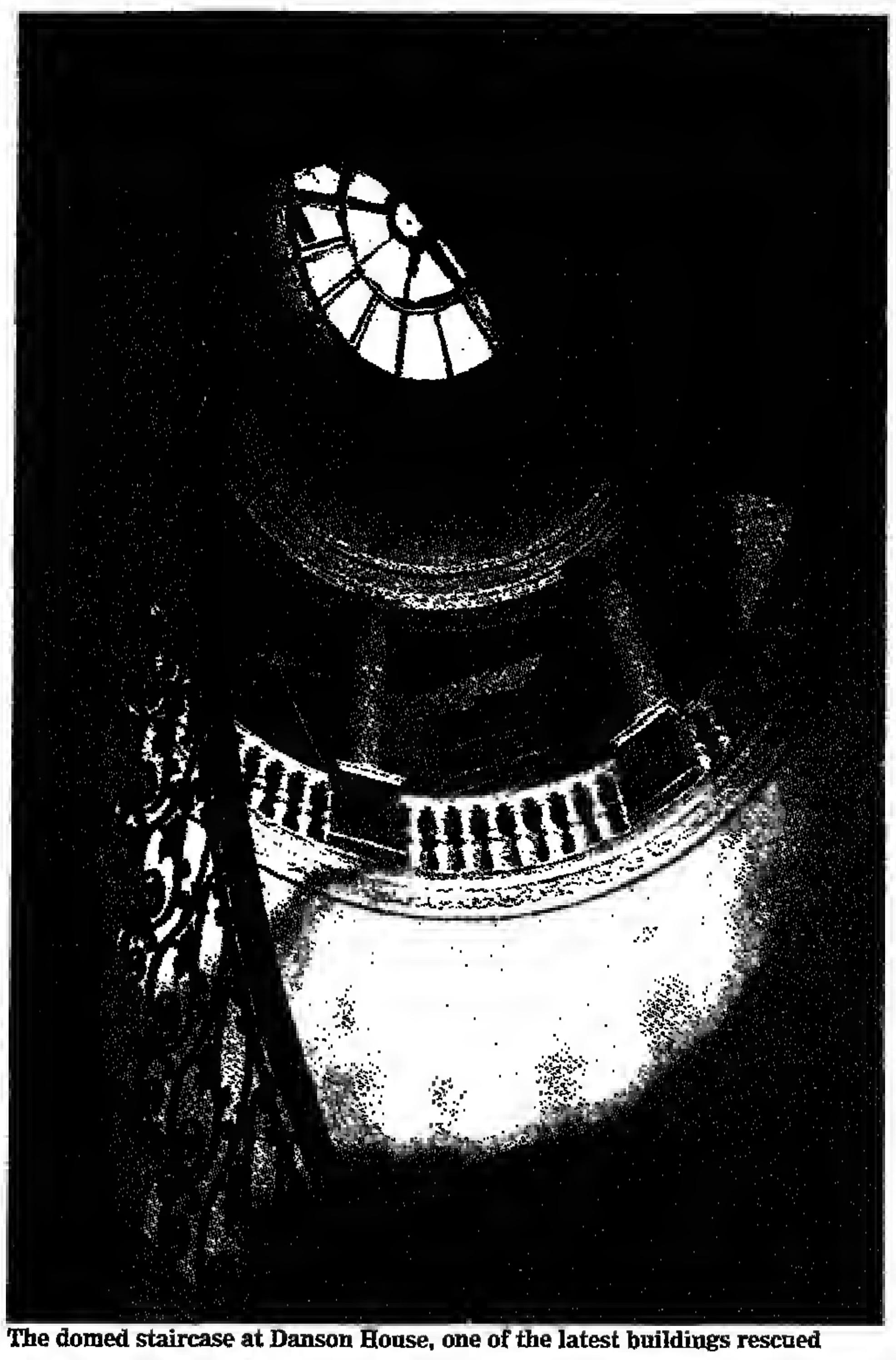
English Heritage has the virtually impossible task of being both the Disney of the heritage world, boosting visitor numbers and revenue by holding everything from operas to tournaments on its properties, while maintaining the intellectual expertise to conserve the best of the past.

Somehow a balance is achieved between preservation and progress, between the ancient and the new. Around 2,600 buildings were given some protection last year by being listed (half of them on the application of owners who think, quite rightly, that listing increases value), while around 2,000 listed buildings were allowed to be demolished or, in most cases, altered.

Unattended iron-age hillforts and bronze-age burrows are left to nature, or bands of enthusiastic amateurs, while last week 67 post-war structures, including the Severn Bridge and Kensington Central Library, were proposed for listing: the reaction of the public is now awaited. Green is proud to have listed Centre Point last year among a group of 20 modern office buildings; he thinks the future will add a glow to concrete.

To a great extent the heritage battle has been won. More of value is saved each year than is lost. But vigilance remains the watchword. Around 150 Grade I listed buildings (out of a total of 6,000) are regarded at risk. One of the most important 19th-century buildings in England, the neo-gothic St Pancras Chambers, is suddenly in danger, and it is worrying that Richard Branson of Virgin, no known aesthete but last week's winner in the battle to bring a new Channel link into the station, now has a decisive influence over its future.

Championing and preserving the heritage is a big enough job for Green without having to nit-pick over small change to make good a savage and unprincipled cut by Treasury officials.



The domed staircase at Danson House, one of the latest buildings rescued

Opera/Stephen Pettitt

'Tosca' exonerated

Many have derided this English National Opera production by Keith Warner of *Tosca*, first seen at the Coliseum in 1994, as preposterous, and, with the shockingly surreal close to each of its acts, it is certainly that. A church scene where a statue of the Madonna, surrounded by grotesque boy-bishops and men in chains, suddenly comes to grimacing life, crowns Act One.

At the end of Act Two the screen banging beneath the askewed second proscenium in Scarpia's office in the Palazzo Farnese lifts itself after Tosca has murdered the corrupt police chief to reveal footlights and an auditorium beyond, as though the whole episode has been only a fantasy, simply another star turn for this highly dubious heroine. And Act Three has her only metaphorically tumbling through the air rather than literally leaping over the parapet, her suspended limb-waving double surreally framed by yet another false proscenium, this time further backstage, while the executioner takes aim to fire at the real Tosca.

This is a Tosca played in the mind of Tosca, a woman who even at the height of pressure resorts to the overdone responses of her stage life. The events we see happening around are her own distortions, her own exaggerations of the facts. And if Warner's production is indeed preposterous, so, let us remind ourselves, is the whole opera, so is the character of Tosca herself. His emphasis upon the grotesqueness of Tosca's self-regard, her self-possessiveness, and above all her absurd self-delusion seems to me to be entirely valid. There is no real tenderness, no real passionate fury. She is one-dimensional, and in the end she has as little conscience as Scarpia. Her death in this production is no tragedy; simply another overcooked goose of an act.

So, unlike some colleagues, I do not feel that Warner has betrayed the work. But his slant does have a downside, in that it restricts the flexibility of his characters – not just Tosca – and places an unfair burden upon his singers. It is a tall order, for instance, to expect Janice Cairns in the title role to sustain the kind of self-parody Warner demands for the entire evening. One soon tired of her stock melodramatic responses. Nothing her Tosca does can surprise us. But Cairns, though slightly hard of voice, does her best, while David Rendall's Cavaradossi strikes a more sympathetic chord – in this light he comes across as touchingly naive – and Phillip Joll's Scarpia avoids the worst excesses of the pantomimic villain, a trap into which many a player of the role has fallen.

The dramatic, clear lines of John Conklin's designs, a judicious blend of the abstract and literal which are strikingly lit by Alan Burrett, are a feast for the eye and set up Warner's view to perfection. Alex Ingram conducts an orchestra which enjoys every indulgent moment of the score.

Concert/David Murray

Steve Reich celebrates 60

The celebrated American minimalist Steve Reich has been celebrating his 60th birthday, here and no doubt in several other places (the Barbican programme was careful not to mention an exact birthdate), as has become the norm for international musicians. Birthdays make commercial successes, or at least facilitate them.

Reich's sexagenary, however – at the Barbican, with London Symphony players and four leading voices from the Swingles – was a cool affair. Except for the audience, a full house which included many devoted Reichians (though Reich has fewer London performances lately, fans hang upon his continuing CDs); but the programme was austerely presented, with the composer's own notes consisting chiefly of practical instructions for performers, saying nothing about what the point, purpose or intended charm of the music might be. I admired that.

There was enthusiastic clapping after *Clapping Music* (1972), in which for the *nth* time Reich – in person – joined a local colleague to clap away for five minutes or so, with syncopations. Evidently Reich sees it as his seminal minimalist piece, the classic introduction to his method.

Then we had *Eight Lines*, which used to be called *Octet* until Reich found that it sounded better with a dozen players instead of eight: intricate minimalist patterns, cheerfully diatonic and seamlessly knit over a running beat.

Sextet, for four percussionists and a pair of keyboard players, was both more varied and much more chromatic, which suggested more interesting shadows and tensions than we had heard yet. Still, we were unprepared – those of us who do not own the CD, at least – for the rich scale of *Tehillim* (1981), which crowned the concert.

Tehillim sets Hebrew lines from three psalms, ending (like Stravinsky's *Symphony of Psalms*) with no. 150, which invokes musical instruments to praise God. The usual running beat is in small notes; the larger phrases are in flexible, irregular metres which display a new aspect of Reich. Four female Swingles were on hand to deliver the tricky vocal parts, extremely well. There is a lovely slow movement, which is actually moving, and the quick movements dance and sparkle. David Robertson was the assured conductor, while Reich himself helped to man the sound-desk. There was general delight.

Theatre in Chicago/Simon Reade

Malkovich is back in town

Home to a world-class symphony orchestra, jazz, and an impressive collection of Impressionists and 20th-century paintings, Chicago is self-confident, culture-savvy. Amid this heady mix of art and poetry-in-motion one can appreciate, as aficionados often claim, that Chicago, not Broadway or Los Angeles, is the crucible of theatrical America.

Currently, there is a strong British presence. The RSC has just passed through on its way to New York with *A Midsummer Night's Dream*. Michael Pennington's production of *Twelfth Night* is being performed by the Shakespeare Repertory Company at the Ruth Page Theatre. Kevin Elyot's gay Chekhovian boulevard drama, *My Night With Reg*, is running at Bailiwick Rep. And two British playwrights, Terry Johnson and Stephen Jeffreys, join forces at Chicago's most famous ensemble: Steppenwolf.

Steppenwolf is celebrating its first 20 years: "From out of our mind to in your face", its marketing campaign tells us – from the fiery individualism of *Orphans*, which Albert Finney brought to the West End a decade ago, to the collective performance in *The Grapes of Wrath*. Alumni include Hollywood players, Gary Sinise (*Forrest Gump*, *Apollo 13*) and Joan Allen (Pat Nixon in Oliver Stone's film); and TV stars Laurie Metcalf (*Roseanne*) and John Mahoney (*Frasier*). They maintain their commitment to their *alma mater*, returning to lead on stage, or to direct.

Its finest actor, John Malkovich, has effortlessly glided back into the company as Stephen Jeffreys' Earl of Rochester in *The Libertine* – the Restoration genius who chose to satirise his age through pornographic verse, the role model for a relatively sanitised Dorimant in *The Man of Mode*.

Terry Johnson, author of *Dead Funny*, directs. He intelligently sets the play in a bare boards production (design Derek McLane) where you cannot hide from the fact of your fiction, the wide Steppenwolf stage exposing the actors' dressing-tables in the wings alongside the lurking stage-hands. Rochester believes in the coruscating lie of theatre: "The pretence only holds if we are given the truth". Johnson demonstrates honest artifice with a production which consequently expresses supreme emotional truth.

It is fired by the two brilliant central performances. We know the thrill of Malkovich from *Burn This* and *Dangerous Liaisons* and *In the Line of Fire* and so on. His danger crackles. Just when he appears to be nonchalantly glazing over, he erupts widely: an off-stage, falsetto-heralded first entrance; a frenzied flapping of his cuffs at death. Malkovich has an alluring slur in his voice, a nasal sneer. He steadfastly charts the whoring "cynic of our golden age" who prostitutes his satirical art, falls truly in love with the beautiful truth of Restoration actress Elizabeth Barry, yet drinks himself to death with increasing misanthropy. Barry chides him: "You see the monkey, but you close your eyes to the angel".

Martha Plimpton makes a commanding Steppenwolf debut as strong-willed Barry: "An actress of truth, not a creature of artifice", says Rochester. Plimpton plays with great dignity, even while enduring simulated sex with a flouncey prostitute armed with a maple-wood dildo in one of Rochester's exotic plays. There is low bawdy amongst the high philosophy.

While Rochester squandered his potential in licentiousness, the Marquis de Sade fulfilled his. In *S/M*, the much-talked-about Chicago *auteur* Mary Zimmerman brings her theatrical style to bear on de Sade's story, told in tandem with Leopold von Sacher-Masoch's – from both of whom we coin our perversities.

In Steppenwolf's studio space we sit on a scaffolding frame peering into de Sade's arena. There is some nudity and use of microphones – reassuringly *avant-garde* rather than surprising. The dialogue is witty, frank: "While she frigs me, would you relish the sight of my arse?" Very Rochester. "You'll love it, you'll hate it – the price is right," summed up the lady handing out free programmes. At $10 a ticket, she could not be wrong.

By contrast, fringe theatre can triumph in sharp-focus orthodoxy. At A Red Orchida Theatre – a low-ceilinged room tucked behind a Chinese restaurant on North Wells – Steppenwolf assistant director Wilson Milam mounts Hired Gun's production of *The Caine Mutiny Court-Mortiol*, Henry Wouk's classic American novel/film/play. Wilson directed *Killer Joe*, the devastating play that came from Chicago to the West End last year, via Edinburgh's Traverse and the Bush. *The Caine Mutiny* travels to Edinburgh this August – see it for its masterful acting, in particular from Tracy Letts, the author of *Killer Joe*.

Letts has the subtlety of Malkovich. He plays Lieutenant Greenwald, the Jewish lawyer defending the second world war mutineer, Lieutenant Maryk, with a steely inscrutability. Then his angry, piercing eyes well up like the typhoon into which Maryk steered the destroyer to wrest command from the "perfectionist anxiety" of its commander. The prosecuting advocate warns Greenwald about Captain Blakely, who presides over the court-martial: "Blakely's headed up a lot of these courts – he doesn't go for vaudeville". And neither does Letts in a smouldering firebrand performance. He shares the veracity of Martha Plimpton's Elizabeth Barry.

Gripping. Powerful. Articulate. This is Steppenwolf. This is Hired Gun. This is Chicago Theatre.

The Libertine plays until April 7. For details of this and other Steppenwolf productions call 001-312-335-1650. *The Caine Mutiny Court-Martial* plays at A Red Orchid Theatre until March 17, 001-312-948-8722, and the Edinburgh Fringe Festival in August (0131-228-1404).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Matthäus Passion: by J.S. Bach. Conducted by Willem Wiesehahn and performed by the Amsterdams Gemengd Koor, Het Nederlands Bach Orkest and Kinderkoor de Krusbergklokken; 2pm; Mar 10
● Members of the Concertgebouworkest: with conductor Philippe Herreweghe and violinist Vera Beths perform Mozart's Serenade No. 10 in B flat for wind instruments (Gran Partita) and Weill's Violin Concerto; 2.15pm; Mar 10

■ BELFAST

THEATRE
The Grand Opera House
Tel: 44-1232-236 842
● Rosencrantz and Guildenstern are Dead: by Tom Stoppard. Directed by Matthew Francis and performed by the Royal National Theatre. The cast includes Lois Baxter, Claudie Blakley, Tim Crouch and Callum Dixon; 7.45pm; Mar 12, 13, 14 (also 2.30pm), 15, 16 (also 2.30pm)

■ BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Daniela Sindram, Vladimir Stoupel, Andreas Grau and Götz Schumacher: the mezzo-soprano and pianists perform works by Scriabin, Debussy and Mahler; 7.30pm; Mar 14

■ CHICAGO

OPERA
Civic Opera House & Civic Theatre
Tel: 1-312-332-2244
● Siegfried: by Wagner. Conducted by Zubin Mehta and performed by the Lyric Opera of Chicago; 6pm; Mar 14
EXHIBITION
Art Institute of Chicago
Tel: 1-312-443-3600
● In the Kisho Kurokawa Gallery. "Contemporary British Architects: Recent Projects from the Architecture Section of the Royal Academy Summer Exhibition". Sponsored by the FT, the exhibition contains drawings, models and photographs of buildings designed by Sir Norman Foster, Nicholas Grimshaw, and Richard Rogers, as well as work by younger architects; to May 5.

■ DUSSELDORF

CONCERT
Tonhalle Düsseldorf
Tel: 49-211-8992081
● London Philharmonic Orchestra: with conductor Franz Welser-Möst and violinist Christian Tetzlaff perform works by Elgar, Beethoven and Brahms; 8pm; Mar 11

■ HELSINKI

DANCE
Opera House Tel: 358-0-403021
● Swan Lake: a choreography by Bourmeister after Petipa/Ivanov to music by Tchaikovsky, performed by the Helsinki Ballet; 7pm; Mar 12

■ LONDON

CONCERT
Barbican Hall
Tel: 44-171-6388891
● The English Chamber Orchestra: with director/violinist Pinchas Zukerman, soprano Heidi Grant Murphy and baritone Thomas Quasthoff perform Beethoven's Violin Concerto in D, Op. 61 and excerpts from Mozart's Die Zauberflöte and Don Giovanni; 7.30pm; Mar 12
Wigmore Hall Tel: 44-171-9352141
● The Gothic Voices: with director Christopher Page perform Gregorian chants; 7.30pm; Mar 12
DANCE
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Giselle: a choreography by Pepita to music by Adolf Adam, performed by The Royal Ballet. Soloists include Sylvie Guillem and Jonathan Cope; 7.30pm; Mar 12, 14
EXHIBITION
Whitechapel Art Gallery
Tel: 44-171-5227888
● Jeff Wall: Eighteen large, illuminated transparencies by the Canadian artist. Each work consists of a photographic transparency in a wall-mounted light box. They include street scenes and landscapes, interiors and still lifes, as well as tableux based on fantastic scenarios; from Mar 13 to May 5
OPERA
London Coliseum
Tel: 44-171-8360111
● Tristan und Isolde: by Wagner. Conducted by Mark Elder and performed by the English National Opera; 5pm; Mar 11

■ MAASTRICHT

ART & ANTIQUE FAIR
MECC Tel: 31-43-383-8383
● The European Fine Art Fair: more than 180 art dealers from Europe, tha US and Hong Kong present highlights of their collection. They include two paintings by Van Gogh, portraits by Rembrandt, Rubens and Frans Hals, Rodin's "Printemps Eternelle" and works by Picasso and Matisse; to Mar 17

■ NAPLES

OPERA
Teatro di San Carlo
Tel: 39-81-7972111
● Rigoletto: by Verdi. Conducted by Daniel Oren and performed by the Teatro di San Carlo. Soloists include José Bros, Leo Nucci, Angeles Blancas Gulin and Francesca Franci; 8.30pm; Mar 12, 15

■ NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● James Galway and Phillip Moll: the flutist and pianist perform works by Schubert, Galway/Fauré, Widor, Briccialdi and Doppler; 3pm; Mar 10
OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● Carmen: by Bizet. Conducted by John Fiore and performed by the Metropolitan Opera. Soloists include Veronica Villaroel, Denyce Graves, Richard Margison and Sergej Leiferkus; 8pm; Mar 13
New York State Theater Tel: 1-212-875-5570
● La Bohema: by Puccini. Conducted by Robert Duerr and performed by the New York City Opera. Soloists include Janice Hall, Michele Patzakis, John Fowler, Robert Perry, Stephen Morschek, Stephen Powell; 1.30pm; Mar 10

■ PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre Symphonique Français: with conductor Laurent Petitgirard, pianist Louis Lortie and mezzo-soprano Anna Holroyd; 8.30pm; Mar 12

■ ROME

OPERA
Teatro dell Opera di Roma Tel: 39-6-481601
● Turandot: by Puccini. Conducted by Yuri Ahronovitch and performed by tha Opera di Roma; 4pm; Mar 10, 12 (8.30pm)

■ STOCKHOLM

OPERA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Tosca: by Puccini. Conducted by Leif Segerstam and performed by Royal Opera Stockholm; 7.30pm; Mar 11

■ SYDNEY

CONCERT
Concert Hall Tel: 61-2-250-7111
● Symphony No. 8: by Bruckner. Performed by the Sydney Symphony Orchestra with conductor Edo de Waart; 8pm; Mar 13, 14

■ VALENCIA

CONCERT
Palau de la Música i Congressos
Tel: 34-6-3375020
● Matthäus Passion: by J.S. Bach. Conducted by Harry Christophers and performed by The Sixteen Choir and Orchestra; 8.15pm; Mar 12

■ WASHINGTON

CONCERT
Opera House Tel: 1-202-416-4600
● The Domingo Gala: Welcoming tenor Placido Domingo as artistic director of the Washington Opera. Taking part, as well as Domingo, are bass Samuel Ramey, mezzo-soprano Denyce Graves, soprano Natalie Dessay, pianists Katia and Marielle Labeque, and others. Leonard Slatkin and Heinz Fricke conduct; 7pm; Mar 10
EXHIBITION
Corcoran Gallery of Art
Tel: 1-202-638-3211
● Maurice Prendergast, American Painter and Printmaker: The Corcoran's holdings of paintings and prints by Prendergast (1859-1924), a member of the group of early 20th-century painters known as "The Eight"; to Mar 11

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Financial Times Business Tonight
Midnight
Financial Times Business Tonight

Philip Stephens

A Euro-stalemate

The government's white paper on the intergovernmental conference will result in much posturing. But the issue is not a vote-winner

Europe will loom large in the British general election campaign. The issue has torn the Conservatives apart for the best part of seven years. Some might consider that John Major would be wise to let it rest. Witness the latest outbreak of infighting on the Tory backbenches. But he thinks there are votes in the issue. Tony Blair, the Labour leader, worries that he may be right. They are both wrong. But that will be no hindrance.

Do not expect the impending intergovernmental conference, or IGC in the jargon, on the future of the European Union, to inaugurate an uplifting debate about Britain's relationship with its continental neighbours. Not among politicians at Westminster anyway. Brace yourself instead for a barrage of hyperbole, half-truths and blatant falsehoods. And then more.

The government's pitch is clear enough. It goes like this. Mr Blair intends to sell out to Europe. He will sign up to the social chapter of the Maastricht treaty, surrender the national veto, and hand over power to the Brussels bureaucrats. Before we know it, the House of Commons will have the status of a local council. Not long afterwards, Belgians and Greeks will be ordering British soldiers to war.

Mr Blair's response is similarly predictable. Mr Major, a prisoner of the Europhobes, will leave Britain isolated and without influence. From there it is but a small step to complete withdrawal. Investment will collapse, the Japanese will take their car and electronic plants elsewhere, millions of jobs will be lost.

The government thinks that it has the best of this depressing bargain. The voters have been fed a rich diet of anti-Europeanism. In Britain's foreign-owned newspapers, the mere mention of Brussels causes acute paranoia. After all, you can no longer shoot an IRA terrorist or sink a Spanish fishing boat without maddening interference from the European Court.

I do not think the electorate is that stupid. The British are a pragmatic lot. Tell them jobs are at risk and they listen. They may not like Europe but they know they need it. Their employers agree.

To my mind that adds up to political stalemate. But peek behind the caricatures and the picture appears more subtle. The careers of Malcolm Rifkind, the foreign secretary, and Robin Cook, his Labour shadow, tell us the story in microcosm.

Back in the 1970s Mr Cook was a stalwart of the "socialism-in-one-country" faction of his party. Europe was a nasty capitalist club. On the other side, Mr Rifkind was as committed a European as you could find. Ever since their positions have converged to a point where there they have just crossed.

The foreign secretary is no Europhobe, but he wants to call a halt to the process of integration. No more majority voting, no more powers for the European parliament, and most importantly, no single currency. As for Mr Cook, it is still hard to label him a Europhile, but he is still heading in that direction. Sure, he sees in a single currency an unwelcome distraction, but his objections are more practical than theological.

So Messrs Rifkind and Cook will doubtless find cause to shout at each other next week

> On the big issues of Europe which preoccupy Germany and France, you could not slip an Ecu note between Labour and the Tories

when the government publishes its white paper on the intergovernmental conference. The language of this long-promised document will be consciously upbeat about the political and economic benefits of the EU (a sop for the Tory left) while reaffirming the government's entrenched opposition to further integration (an olive branch for the sceptics).

The white paper's central contention will be that there must be no erosion of the "three-pillared" structure of the Union established at Maastricht. The Union's competence in areas such as the single market, trade and agriculture must not spill over into foreign policy or home affairs. These must remain the preserve of intergovernmental co-operation.

As for those areas already within the remit of the Commission and the European parliament, the government promises to veto any significant shift in the balance of power between Brussels and London. Sure, it will back some tinkering with the institutions, an acknowledged prerequisite for further enlargement. It will seek in return some minor curbs on the power of the European Court. But that is all. The government expects nothing of substance from this conference, and will give nothing.

Mr Cook will denounce such minimalism as evidence of Mr Major's imprisonment by the sceptics. But beyond Labour's promised signature on the social chapter, a modest extension of qualified majority voting to areas such as industrial research, and a more positive tone of voice, he will promise little different.

On the big issues which preoccupy Germany and France – the creation of single foreign and security policy or common supervision of borders – you could not slip an Ecu note between the two parties. Labour will no more accept the possibility of being outvoted on immigration or defence issues than would the Conservatives.

As for the biggest issue of all, a single currency, I am told that the white paper will mention it in several places, but will not upset Mr Major's perilously precarious balancing act over whether sterling Britain might participate. As he indicated in the Commons yesterday, the prime minister wants to promise a referendum on the issue. His advisers have warned him that a harmy army of anti-European candidates preparing to fight the general election under the standard of Sir James Goldsmith's Referendum party could well inflict damage on the Tories.

Kenneth Clarke, backed by Michael Heseltine and one or two others in the cabinet, flatly rejects such a commitment. The chancellor's view is that a sensible decision on whether Britain should join a single currency could be taken only by a free vote in the House of Commons. He considers that to set up another obstacle now would be to deprive the government of what little influence it retains in shaping Emu. The furthest he will go in Mr Major's direction is to say that a referendum could (or, at a push, should) be considered if and when the government faced the choice.

So the prime minister must decide whether to press the case at the risk of losing Mr Clarke. I am not sure that the chancellor would resign if overruled. But I do know that he would consider it. These are high stakes.

The sensible course would be to sidestep the issue. Mr Blair, I am told, is as dubious as Mr Clarke of the wisdom of offering hostages to fortune. He will promise a referendum only if Mr Major does. As for the voters, this is all an irrelevance. Unless one side or the other is foolish enough to validate the caricature painted by its opponent, there are no votes in Europe. Mr Major should let the issue drop. Somehow, though, I doubt that his party will let him.

LETTERS TO THE EDITOR

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New social expectations demand more from business

From Mr Greg Parston.

Sir, Robert Reich is correct to argue ("A hand across the great divide", March 6) that business must take a broader view of its role in society, but he is wrong to focus so narrowly on its responsibilities to the workforce.

Of course employees are vital stakeholders along with shareholders and customers. But more and more businesses are being asked what they are doing to meet the wider interests of their communities and of the public.

What are you doing for our schools? Our health care? Our elderly? Our environment? are questions which are increasingly asked of business. Community is stakeholder too.

The new social expectations are enduring, and apparent failure to meet them is as dangerous as failure to meet the expectations of shareholders, customers or employees.

In 1994, for example, when The Body Shop's social commitments were challenged in a series of unfriendly news reports, public image and market worth suffered.

To support these new social accountabilities, tomorrow's companies will have to find new ways of organising and measuring performance. Above all, they will need to be led by socially responsible executives who can design organisations that go beyond physical and legal limits and embrace community.

These leaders will not be able to remain anonymous; they will be known by what they stand for and by the social as well as the financial results they produce.

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Environment action short on detail

From Mr David Earnshaw.

Sir, It is unfortunate that Derek Osborn's sentiment is hardly matched by his analysis ("Action plan for everyone", Viewpoint, March 6).

The European Commission's proposal to update the European Union's current environmental action programme (1992-2000) is far from being the "the bold and wide-ranging document" which he claims. In fact, it is long on high aspirations – but distinctly short on specific deadlines, targets and detail. It merely reiterates a series of previously established environment policy priorities, and adds little, if anything, which is new. It is as silent on specific timescales as it is on the particular legislative measures which might flow from it.

One of the reasons EU environment policy and legislation has been so successful in prompting environmental improvement (despite often being criticised by those affected by it), is precisely because it has tended to include clear targets and deadlines. These provide legally enforceable yardsticks against which pollution can be measured, and improvements made.

The UK is a case in point. EU environment legislation now provides by far the greatest part of the flesh on the bare skeleton of environment policy which existed in the UK prior to its accession to the EU. Indeed, Osborn gives numerous examples of where EU environment policy, from chloroflurocarbon reduction and elimination to the Urban Waste Water Directive, has prompted change through having set standards and targets for improvement.

Of course, the actual setting of timescales and standards with which industry, farmers, energy providers, water authorities and others are required to comply is often hotly contested.

As Osborn points out, an "intensive debate" is likely during 1996 on the Commission's latest plan. However, for the plan to have any real impact on everyone's environment, as he hopes it will, the EU's Environment Council and the European Parliament's Environment Committee now both need to take up where the Commission has left off.

These two will need to assume the responsibility, largely abdicated by the Commission, for investing the proposal with real and measurable targets, and a set of timescales over which its worthy aspirations to environmental improvement can actually be achieved.

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Belgium

Companies should deal with dangerous situations before they result in deaths

From Mr Guy Dehn.

Sir, Your leader ("Company deaths", March 6) calls on the government to implement the Law Commission's proposals for a new offence of corporate killing. The incidents you cite as justifying the need for these changes are the disasters at Zeebrugge, Piper Alpha and Clapham.

However, the official inquiries into these disasters clearly show the need for a bill which received an unopposed second reading last Friday. The inquiry into Zeebrugge found that staff had raised concerns that ferries were sailing with their bow doors open. The inquiry found that if "this sensible suggestion... had received the serious consideration it deserved, this disaster may well have been prevented". The inquiry into Piper Alpha found that workers "did not want to put their employment in jeopardy through raising a safety issue that might embarrass management". The inquiry into the Clapham rail crash found that a supervisor had noticed loose wiring before the crash, but did not want to "rock the boat".

Surely it is desirable to give those in charge of organisations the opportunity to deal with dangers before disaster strikes? By protecting responsible whistleblowers, the public interest disclosure bill does just that. It will be interesting to see whether the government views it as a greater burden on business than the criminal sanctions proposed.

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From Mr Joe McCarty.

Sir, Your leader said individual directors should not "be jailed for the carelessness of the company as a whole". At a time when many directors happily receive large performance-related bonuses, surely this is an illogical view.

A few "performance-related prosecutions" would do much to concentrate minds on the necessity for effective management of safety at workplace level, and to transform boardroom platitudes into positive action.

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How can we get patients involved in patient information around the world?

BY JULIA NEUBERGER

Patients in Europe are becoming increasingly involved in making decisions about their own health care. A leading patient advocate in the UK argues that they should also be enlisted to help develop the information provided to patients.

Information available to patients and users of health services varies considerably around the world. These differences reflect different views about the respective role of health-care worker and patient. In the United States the patient is seen as the decision maker, acting on professional advice. It is common there for long, detailed lists of possible side-effects to be read out to patients (though the hospitals' fear of lawsuits is probably also a motive). Patients are even sometimes compelled to attend education classes before treatment.

In much of Europe, where the social hierarchy is more pronounced, the doctor is seen more as a father figure. Blanket consent forms for surgery are still commonplace. Yet with all the cultural differences, things are changing and the need to involve patients in decision-making has increasingly been recognised. In the UK, the Patients' Charter in 1992 stated the right "to be given a clear explanation of any treatment proposed, including any risks or alternatives, before you decide whether you will agree...". This was not embodied in legislation, but the government required regional health authorities to set up consumer information services.

However, patients have not generally been involved in deciding what information should be provided. While the single disease associations have tended to base their advice heavily on the experience of patients, they have been the exceptions among the growing number of consumer health information services.

Some governments have given patients information such as access to medical records (France has let parents have their children's records since 1945), and to outcomes data where available. The Department of Health in England and Wales was reluctant to publish comparative death rates for hospitals in 1994, when it first published other comparative data in league tables, despite consumer pressure to do so. It argued that it was hard to provide valid data. Yet Scotland did publish Clinical Outcome Indicators (MEL(1994)82) with an explicit 'health warning' about their use, in order to stimulate local discussion amongst healthcare professionals and patients.

Breast cancer information has been enormously improved in Britain and France as a result of patient input (perhaps in part because this condition affects many women and attracts media interest). Increasingly, some general practitioners are involving patient participation groups and focus groups in long-term discussions about style of practice and clinical information.

This is a useful start, but more can be done. Information intended for patients would be far more valuable if it were developed in consultation with panels or focus groups of users and/or consumers. Professionals are often too close to the subject to judge how users will react to information. Even consumer groups become professionalised, and less aware of difficulties in understanding this type of information. Focus groups have been shown to work in other areas, and there is no reason why they should not work here. If lay people can understand research proposals as they have to do as members of research ethics committees (IRBs), they should be able to participate usefully in reviewing what information is provided.

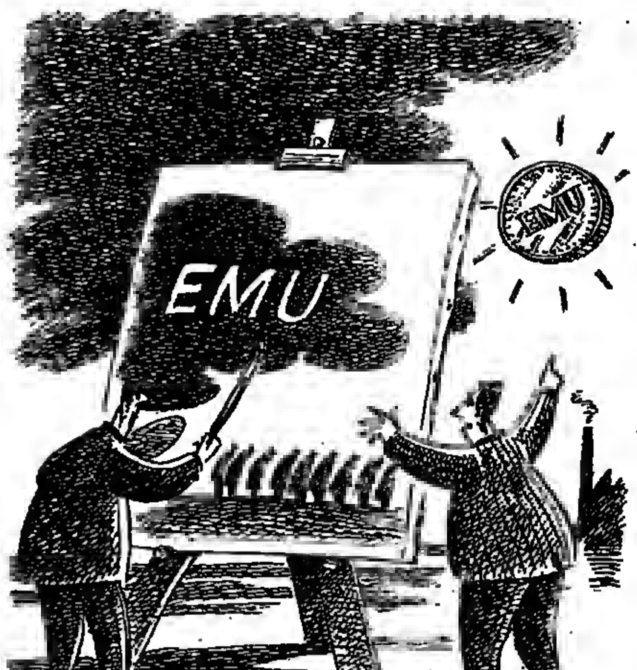
Some organisations have already involved lay people in this way - such as the Help for Health Trust in Winchester, UK and the Beth Israel Hospital, Boston, Massachusetts amongst others. Their example should be followed. It will increase the patients' understanding, transform the balance of power to a more equal and therapeutic relationship, and possibly even improve patients' compliance with the recommended treatment.

Julia Neuberger chairs Camden and Islington Community Health Services NHS Trust, and is a vice-president of the Patients Association. She is also a member of the General Medical Council and the Medical Research Council.

Europa • Sixten Korkman

A more balanced picture

The overall effect of monetary union on employment is favourable rather than harmful



High unemployment poses a serious threat to European economic and monetary union. It spreads pessimism and reluctance to change. It gives rise to fears that Emu will increase unemployment even further. It tempts people to believe cancelling Emu would help reduce interest rates and revive growth.

The view that Emu will destroy jobs is widely held but rarely backed up by substantive reasoning. It cannot be refuted by simply stating the opposite, by claiming that Emu is good for employment. The fears can be dispelled only by explaining why the overall effects on jobs might be favourable rather than harmful.

One reason given for fearing Emu is that the priority given to price stability is a threat to growth and employment. That priority is spelt out in the Maastricht treaty, which foresaw the creation of a European Central Bank which would be politically independent and strongly committed to the maintenance of price stability as the primary objective of monetary policy. But the treaty is mostly silent on the issue of employment.

Is there a lack of balance in the treaty and in the objectives set for the central bank? The near-consensus answer by economists is "no" – because inflation is harmful for economic activity. It increases uncertainty, makes business calculations difficult and puts exchange rates under pressure. It also erodes the credibility of monetary policy, forcing up interest rates in countries seen as high risk in inflation terms.

Financial deregulation and the globalisation of capital markets mean that inflation expectations can have a large impact on national economies. Inflation can spiral out of control and must sooner or later be combatted by tight policies, even if this imposes high economic and social costs.

There is no conflict between stability and growth; inflationary policies do not create jobs. Historical experience supports the conclusion that rapid inflation is associated with weak long-term growth.

In the short run, however, there is a trade-off; actions to combat price increases hurt growth and employment. Joining Emu is thus a problem for high-inflation countries, and they should remain outside the monetary union until their inflation rates fall.

The second reason for fearing Emu is that locking exchange rates may increase unemployment in specific countries facing particular difficulties – for example, those affected strongly by changes in fuel prices or developments in important sectors.

Member states differ. They occasionally face different problems, and need differentiated policy responses. The monetary policy pursued by the European Central Bank may be too tight for one member state, yet too lax for another. Given the structural differences between countries Emu may increase the difficulties of adjustment to country-specific shocks.

Not surprisingly, monetary union yields benefits and costs, and their relative weight will vary from country to country. For most member states, the degree of economic integration is high enough to justify a common currency. The benefits in terms of monetary stability and economic efficiency will outweigh the costs in terms of a loss of (limited) autonomy over monetary policy.

But joining the monetary union and eliminating the freedom to adjust exchange rates may be a problem for some countries – in particular, those relying on a few important industries or with inflexible labour markets. They might want to remain outside until they have become more integrated into the European economy and increased the flexibility of their labour markets.

The third fear is that Emu will be bad for jobs because it requires fiscal tightening. Cutting budget deficits to meet the convergence criteria for joining the single currency could cause or magnify recession.

Europe's welfare states have become caught in a debt trap: government deficits, public debt levels and high taxes are reducing growth rates, while weak growth is adding to the deficits by pushing up welfare costs and reducing tax revenues. These difficulties could worsen in the long run as ageing populations add to the pressure on pension and health expenditure. Fiscal tightening is imperative – but it has next to nothing to do with Emu or the Maastricht treaty. There is, however, a short-term problem. Meeting the criteria for monetary union may impose excessive fiscal tightening at a time of weakening demand growth when conventional economic policy would allow cyclical increase in budget deficits.

The deflationary effects of fiscal tightening should not be denied. But neither should they be exaggerated – they must be faced and dealt with in an appropriate way. Some consideration might be given to cyclical effects when assessing which states have satisfied convergence requirements. The budget deficit will be larger in a recession than otherwise. It is important to assess not only the actual deficit but also the underlying trend.

Second, member states should undertake structural reforms to reduce public expenditure. Cutting entitlement levels in social programmes including pensions reduces "invisible" debts – expenditure commitments for future years. It thus improves the fiscal balance in the long term without necessarily cutting demand in the short term. Such measures might be taken into account when assessing economic convergence.

Third, entry into Emu might be delayed for a short time for some EU states, until the economic cycle turns up again. There would be no serious impact on Emu provided a critical mass of states – including Germany and France – start monetary union by 1999.

It is unfortunate that Emu in the minds of many people has come to be closely associated with fiscal consolidation and unemployment. The trend of rising public indebtedness must be reversed anyway – and it would perhaps have to be done more brutally if Emu does not materialise and financial instability intensifies.

Unemployment is primarily a consequence of structural malfunctionings and secondarily of monetary policies inappropriate for Europe as a whole. Emu has nothing to do with the former problem and can contribute towards resolving the latter.

The author is general director, Economic and Financial Affairs, of the secretariat of the Council of the European Union. However, this column reflects his personal view.

COMMENT & ANALYSIS

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Ending trade corruption

As the only country to outlaw the use of bribes to win foreign business, the US can reasonably maintain that virtue is not its own reward. US companies have long complained that the prohibition is a gift to less scrupulous competitors on world markets. However, Washington's insistence this week that governments elsewhere take action, or face the threat of trade sanctions, should not be dismissed just as another attempt to foist its laws on others. Though US tactics are debatable, it is right to focus international attention on the problem.

Corporate bribery not only enriches the undeserving. It distorts competition and reduces efficiency, most obviously by corrupting the fair award of public contracts. Such contracts represent at least 10 per cent of global economic output. The US is therefore correct to argue that the matter is a proper concern for the World Trade Organisation.

This year, the WTO introduced stricter rules to promote freer international competition and greater transparency in government procurement. But the rules, though detailed, cover only about 20, mainly industrialised, economies. More of the WTO's many developing country members should be encouraged to sign up. To persuade them to do so, there is a case for subjecting them, initially, to simpler disciplines which would be less burdensome to administer.

Further trade liberalisation could be usefully buttressed by development aid policies. Transparency International, an anti-corruption pressure group, has sensibly suggested that aid donors require that bidders for the projects they finance sign pledges not to offer bribes. Companies would have still less incentive to do so if governments of all industrialised countries ensured that corporate bribes were no longer tax-deductible. Until they do so, rich countries will be in a weak position to urge poor ones to reform their public procurement practices.

However, there are limits to what can be achieved through a "top down" approach, which relies on closer international co-operation. As long as there are willing takers of bribes, there will be enthusiastic givers. Curing the cancer of corporate corruption depends heavily on the progress of reform within countries. Increasing privatisation should help that process. Removing companies from government control, and requiring them to respond to commercial imperatives, greatly reduces the scope for illicit inducements.

It is also encouraging that, in developed as well as developing countries, corruption is increasingly being exposed and prosecuted. That suggests public and judicial tolerance of such malpractices is rapidly diminishing. The real battle for cleaner corporate ethics begins at home.

Heed the judges

When the lord chief justice issues a considered and detailed denunciation of proposed changes to the criminal justice system it is the duty of government to listen. Sadly, Mr Michael Howard, the home secretary, appears unwilling to accord the judiciary even that small measure of influence.

Lord Taylor's criticism this week of Mr Howard's plans for a new criminal justice bill have brought to a head a long simmering conflict. It has also thrown into sharp relief the rising tension in the judicial system between the respective responsibilities of elected politicians and judges.

In what was seen as an overtly populist move tailored to the prejudices of the Conservative party conference last autumn Mr Howard announced plans for a tougher sentencing policy for violent criminals and repeat offenders. The proposals, to be set out in a forthcoming white paper, would introduce mandatory life sentences after two convictions for serious violent or sexual offences. They would also set out stiff minimum sentences for persistent drug dealers and burglars.

Mr Howard's case is that mandatory sentences are essential to protect the innocent from violent criminals and repeat offenders. The proposals are cast as a response to justified public outrage when dangerous criminals are freed from prison only to commit further offences. Life sentences would ensure that such people were released only after a review by the parole board.

Lord Taylor and most of his colleagues, however, are certain the proposals would not work. They argue that it is the prospect of getting caught which most deters criminals.

Minimum sentences would cause injustices by preventing judges from passing sentences which reflect the individual circumstances of the case. They would also remove the incentive for offenders to plead guilty, adding to the pressure on overburdened courts and prisons. In the most extreme cases, the prospect of a mandatory life sentence might encourage a violent criminal to kill his victim.

Such arguments are persuasive, particularly against the background of constant upheaval in the criminal justice system which has characterised Mr Howard's tenure at the Home Office. Mr Howard is correct in saying that victims have the right to expect transparency in the judicial system and to see that sentences handed down by the courts mean what they say.

But the home secretary's plan tips the balance of responsibility too far in the direction of the executive at the expense of the judges. As the European Court of Human Rights has pointed out, it is dangerous to vest in politicians the discretion to decide how long an individual remains in prison. Parliament should set a sentencing framework for the courts, but judges must be left to decide the circumstances of each case. Mr Howard should listen.

John Bull's fish

John Bull is having ooe of his fits about foreigners. This time it is over their being compensated for his failed attempts to stop them stealing his fish. He is even talking of leaving the common fisheries policy (CFP) of the European Union altogether. There is only one problem with all of this: it is nonsense.

First, leaving the CFP would mean leaving the European Union. It is possible to imagine circumstances in which the UK might want to do so. Protecting an industry that generates 0.1 per cent of gross domestic product and a still smaller share of employment is not among them.

Second, fish do not recognise frontiers. If the stocks of the European continental shelf are to be conserved, there must be a European-wide policy. The UK does have a high proportion of fully grown fish in its waters, but many of them spawn and grow elsewhere. It is senseless to demand 100 per cent of what could turn out to be nothing.

Third, scientists insist that European politicians continue to grant dangerously large quotas. The threat to stocks is a real one. Prior to the introduction of the CFP, the herring catch fell from 1.4m tonnes a year in the mid-1960s to only 0.5m tonnes a decade later. The impact of overfishing can also be sudden and total, as the disappearance of cod off Canada's Atlantic coast demonstrates.

Fourth, monitoring and policing are too lax. The only sensibla way to remedy the consequences for the conservation of fish is to create and fund a European-wide system that would be less partial to particular national interests.

Fifth, national quotas are, quite reasonably, divided on the basis of shares in catches in 1983, when the CFP was agreed. Quite rightly, it is possibla for fishermen to transfer the quotas among themselves by buying and selling licenses to fish. Under European law it is impossible, however, to prevent nationals of other member states from purchasing these licenses, since discrimination on the basis of nationality was ruled out by the European Court of Justice in 1991. The case recently lost by the UK merely requires it to compensate foreign fishermen for what turned out to be illegal attempts to exclude them between 1988 and the date of that ruling.

Finally, however upsetting the outcome may be for the UK industry, the sale of licenses is a market transaction. They could have been bought by UK nationals. More significantly, this is surely just an example of direct investment across frontiers, which is fundamental to the single market favoured by the UK government.

Jingoism may stir the blood, but it will fail to conserve the fish. The only way to do so is to create a stronger common fisheries policy. That is not a sell out of British interests. It is the only effective way to protect them.

Prescription for the future

The merger of Sandoz and Ciba is likely to launch a further round of restructuring in the drugs and chemicals sector, says **Daniel Green**

On November 30 1995, Mr Marc Moret, chairman of Sandoz, the Swiss pharmaceuticals company, crossed the river Rhine in Basle to visit the company's century-old rival Ciba. He carried plans for a merger that would change the corporate landscape for the world's pharmaceuticals and chemicals industries.

Those plans became reality yesterday. The merged business, called Novartis, is the world's second biggest pharmaceuticals company by sales, with combined sales of SFr26bn and a 4.4 per cent share of the global market. In agrochemicals, it is more than twice the size of its nearest rival.

Although it is by far the biggest deal in the pharmaceutical industry, it is only the latest in a string of 16 healthcare deals each worth $1bn or more since January 1994. Last year, Glaxo paid £9.1bn for fellow UK company Wellcome. American Home Products bought American Cyanamid for $10bn. Sweden's Pharmacia merged with Upjohn of the US.

Companies struggling to cut costs have been buying rivals or merging with them. But the merger of Sandoz and Ciba is the first in which both parties would have been strong enough to survive on their own.

"This decision has been taken from a position of strength in anticipation of a future that will be different from today," says Dr Daniel Vasella, the 42-year-old chief executive of the Sandoz pharmaceuticals division who will be president of Novartis.

Both companies yesterday reported strong profits growth in 1995. Ciba's net profits were 13 per cent higher than in 1994, while net profits at Sandoz rose 19 per cent.

Those figures make Ciba the ninth biggest drugs company in the world by sales, according to data collected by IMS International, the pharmaceuticals market research organisation. That puts it ahead of international giants such as Bayer of Germany and Eli Lilly of the US.

Ciba is a leader in drugs to deal with arthritis and high blood pressure. It owns the second biggest supplier of generic – unbranded – drugs in the US, a business that has become increasingly important as US healthcare suppliers have sought to cut costs by buying cheap off-patent drugs.

Sandoz, at 14th in the global league table, is the size of Schering-Plough of the US and bigger than the newly merged Pharmacia & Upjohn. It dominates the market for drugs to prevent transplanted organs from being rejected and has fast-growing products in schizophrenia and fungal infections.

Both companies have been more active than most rivals in building stakes in the biotechnology sector which is seen in the industry as a promising source of new top-selling drugs. Ciba has effectively a controlling interest in Chiron – for which it paid $2bn in November 1994 – one of the top three US biotechnology companies. Sandoz last July bought GTI of Maryland, a pioneer in the gene therapy field, for $295m.

Such strategies led James Capel, the London stockbroker, to forecast that earnings per share at Sandoz would grow at an average of 12 per cent a year for 1994 to 1999. The figure for Ciba was 11 per cent.

Sandoz, the faster-growing of the two partners, was under no immediate pressure to abandon its independence. Bnt its top managers believed that pharmaceuticals companies would need to be strong in two important sectors of the business if they were to prosper over the next five to ten years.

The first is the production of genuine innovations in treating hitherto intractable conditions such as Alzheimer's disease and cancer. These can command high prices because patients put pressure on health authorities and doctors to prescribe them.

"Patient groups have already become more powerful," says Dr Vasella. "They will play an increasing role in deciding which drugs are prescribed."

Strength here relies on powerful research and development, says Dr Vasella. This is the area of the merged company's activities in which he plans the fewest cuts.

The second is the production of high volumes of cheap off-patent generic drugs. This business is effectively a commodity business, in which success comes through low prices rather than bringing new products to the market.

For example, within weeks of Glaxo Wellcome losing patent protection in Germany for Zantac, its ulcer drug, in July 1995, 15 identical generic rivals had been launched, taking half the market.

Running a low-margin generics operation successfully has eluded many mainstream drugs companies which have grown fat on decades of high profit margins. But Ciba's generics subsidiary Geneva has managed to build a business already worth SFr1bn a year against competition from specialist low-cost manufacturers such as Ivax of the US and Canada's Novopharm.

In spite of that success and its buoyant profits growth, Ciba has faced some pressures to restructure. Its shares have underperformed its competitors – while Sandoz shares rose 21 per cent in 1995, Ciba's rose just 3 per cent. The company is in many ways an old-style chemicals and pharmaceuticals cooglomerate. Drugs and other healthcare products account for less than half of turnover; the rest comes from chemicals and agricultural products.

Other such conglomerates have separated chemicals from pharmaceuticals: Imperial Chemical Industries of the UK demerged Zeneca; Dow Chemical of the US sold its stake in Marion Merrell Dow, its drugs arm, to Germany's Hoechst; and Eastman Kodak sold Sterling Health to the UK's SmithKline Beecham. Ciba has not followed this example – its only disposal in recent years has been the Mettler Toledo precision weighing machines business, the flotation of which was announced last year.

In the spring of 1995, the Ciba board was looking at two options: to follow the Anglo-Saxon strategy of concentrating on fewer core businesses; or to retain its diverse interests in the same way as continental European companies, sucb as Rhône-Poulenc of France and Hoechst and Bayer of Germany. As Sandoz demerged its chemicals business, Clariant, Ciba decided to follow the Anglo-Saxon strategy.

"We decided we wanted to participate actively in the industry's coosolidation," says Mr Alex Krauer, Ciba's 64-year-old chairman who will be chairman of the merged company. "But we wanted to do it at a time when we are strong and 1995 was a record year."

Ciba looked tentatively at several companies before Mr Moret made his epic, if short, journey to visit its headquarters. "A lot of credit goes to Moret for burying the hatchet," says a member of the Ciba team.

Both companies are now preseoting the deal as a perfect marriage. A friendly share swap avoids plunging the new company into the kind of debt that now saddles rivals that have made bids with cash such as Glaxo Wellcome and SmithKline Beecham. The persooality clashes are minimised because of the impending retirements of Mr Moret and Mr Heini Lippuner, Mr Krauer's number two at Ciba.

As Swiss companies, they share some cultural elements that should help speed the process of integration. And the two companies have strengths in complementary medical areas, with virtually no competition between them over particular drugs.

However, there will be inevitable difficulties in merging the two operations and reducing the overlap between them. The two companies have a similar geographical spread. As well as baving neigbbouring beadquarters in Switzerland, their US headquarters are just 15 minutes' drive apart in New Jersey. Only one north American beadquarters is likely to survive. Novartis plans to shed 13,000 jobs from a workforce of 134,000 to save SFr1.8bn a year.

Painful decisions, too, may have to be made in the two agrochemicals businesses. Ciba was already the world's number one and is likely to absorb the much smaller Sandoz operation. The restructuring could cost SFr2bn.

And even when cultures are similar, recent deals have shown mergers bring unexpected costs that may be hard to control. Glaxo Wellcome has lost staff faster than anticipated since its formation, with the best people often opting for a firm job offer from a rival rather than face uncertainty over their future in the merged company. Pharmacia & Upjohn admitted this week it had underestimated the costs of bringing the two companies together.

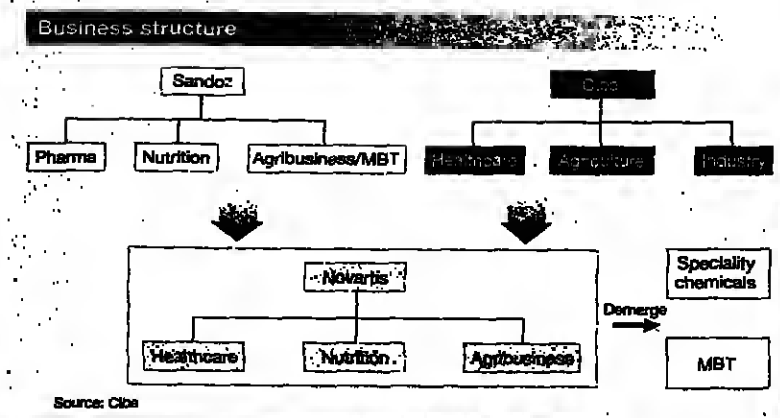
Rivals are nevertheless likely to be galvanised into action. Roche, until this week the biggest pharmaceuticals company in Switzerland, will now be examining its options.

And a kilometre from Basle, the Rhine flows into Germany and, eventually, past Hoechst and Bayer, Germany's giant chemicals companies. The former is the world's third biggest drugs business hy sales, the latter the 12th. Both are already talking to merchant bankers involved in the birth of Novartis.

It looks likely that the days of the integrated drugs and chemicals company in Europe may be numbered. The dealmaking is not over yet.

Novartis: the shape of things to come

Business structure

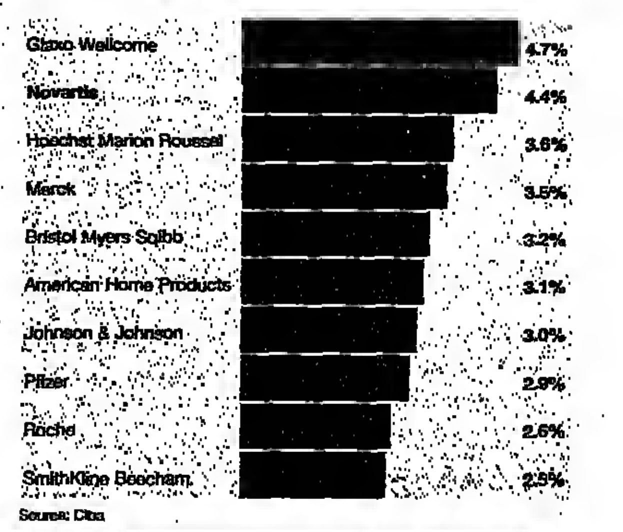


Source: Ciba

Alex Krauer
Ciba chairman

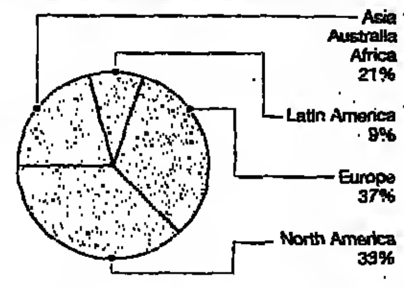
Market position

Top ten companies Global market share 1995



Source: Ciba

Novartis regional sales distribution 1995



Novartis regional ranking 1995

Europe	2
North America	6
Asia/Australia/Africa	6
Latin America	1
WORLD	2

Source: IMS Pharmaceutical Market World Review

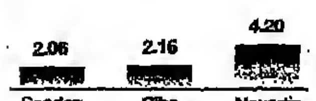
Key financial facts

Daniel Vasella
Sandoz chief executive

Combined market capitalisation
SFr at 1.5.1996

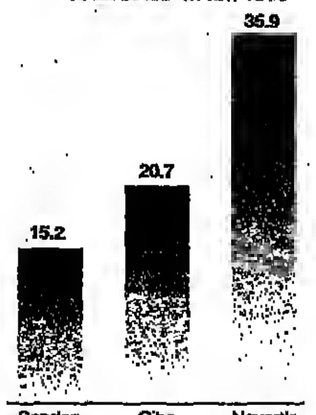
	Share price	Market capitalisation
Sandoz	1,137	43bn
Ciba	1,085	32bn
Novartis	–	75bn

Net profit SFrbn 1995



Source: Ciba

Total sales SFrbn 1995



· OBSERVER ·

Jobs for beefy boys and girls

■ Worried about job security? Then pump yourself up: try to make the grade as an Olympic competitor.

Companies everywhere fuss lovingly over Olympic-class sportspersons who happen to be on their payrolls, as Peter Gabrielsson, Sweden's number one rifle shootist, will attest.

Gabrielsson works as a sorter in Stockholm for UPS, whose headquarters, as it happens, are in Atlanta, Georgia – scene of this year's summer Olympics. UPS says it's the world's largest package distribution company, handling 3.1bn packages and documents annually.

It certainly fusses over Gabrielsson, who has worked for UPS for three years. He spends 20 hours a week on shooting practice and other training. He enjoys flexible working hours and receives plenty of financial support.

To qualify for such assistance, says UPS, employees "must be nationally ranked within the top 40 in their discipline by their sport's governing body... All 335,000 UPS employees around the world who meet these criteria are eligible to apply."

So is UPS awash in beefy would-be Olympic champions? Not exactly. The number of UPS employees currently receiving special assistance in the hope they'll qualify for the Olympics is precisely... 10.

Package-handling must be *really* exhausting.

Fabric softener

■ There was a worrying omen yesterday for the future of Zeneca, the pharmaceuticals company which is seen as a perennial takeover target.

Its presentation of a set of sparkling annual figures was rather overshadowed by the Ciba/Sandoz merger. Never mind – Zeneca's team put on a brave face.

Regrettably such courage was to little avail, because at the end of an upbeat analysts' meeting the ornate stage that supported Zeneca's great and good unceremoniously collapsed.

At which point Zeneca tried to make a joke about its results being so good that they brought the house down.

Good try. But the more superstitious analysts were convinced that they had witnessed a portent of what fate has in store.

Slipstream politics

■ Melbourne's Grand Prix on Sunday may be a driving force in the coming state election. Victoria's premier Jeff Kennett has called for the polls nearly a year ahead of time: citizens will vote on March 30.

The sub-text is that Kennett masterminded the filching of the Formula One race from Adelaide, where it had been held each November for 10 years. It looks set to be hugely popular – except with the Save Albert Park protestors, who object to the track passing through a public open space – and also a moneyspinner.

Maybe Kennett has taken a leaf out of the late Harold Wilson's book. The former British prime minister called a snap election shortly after the country's soccer team won the 1966 football world cup – and he hung on to power for another four years.

Flipper fantasies

■ Oh, tha stormy waters between Canada and Europe. Last year the two were battling it out over fish. This year the struggle promises to be somewhat more esoteric, focusing on the growing trade in seal penises.

A distressed delegation of MEPs was in Canada yesterday to take a closer look at the business, in the process berating the Canadian government for subsidising its seal hunters to the tune of C$0.20 per pound for the animals slaughtered.

The Canadian government has set a quota for this year of 250,000 seals to be killed; hunters get, claims the International Fund for Animal Welfare, about C$25 for each seal penis, more than double the price of an average pelt.

Seal penises are apparently highly prized as aphrodisiacs in certain parts of Asia. This kind of thing must be stamped out, said the MEPs, who promised to call on the European parliament to ban seal penises in the EU, or at least those which have become divorced from their owners.

Gianni Tamino, an Italian MEP with the delegation, said: "For the Canadian government to use taxpayers' money to support a trade in animal parts is completely unacceptable."

It's not *quite* clear when Canada joined the EU, but when we discover the precise date, we'll naturally let you know.

Stress management

■ How not to win friends and influence people.

The Dale Carnegie training and consultancy organisation, which (among other things) now helps companies in 72 countries to make more effective use of time, could perhaps do with a little advice itself.

Yesterday it faxed an invitation to one of the UK's most eminent legal figures, Lord Goodman, to attend one of its executive seminars, featuring such topics as "learn how to use your memory more effectively". He won't be able to attend; he died in May 1995.

It's the thought that counts.

The Financial Times

50 years ago

Division of German shipping
Proposals have been approved for the division of the German merchant marine equally between Britain, the U.S. and Russia, and the transfer of old vessels is now taking place. This step was announced in a statement issued in London, Washington and Moscow. The gross registered tonnage concerned totals 1,189,600.

Loan from Canada
After negotiations lasting barely a month, representatives of Great Britain and Canada have concluded an agreement for a credit to Britain and the settlement of war transactions. The terms reflect the helpful and sympathetic approach which Canada has made to all problems affecting Britain since the war began. The rate of interest on this credit is the same as on the American loan – 2 per cent.

Senate attitude to $ loan
The U.S. Senate, Banking and Currency Committee has begun its third day's bearing on the proposed loan to Britain. Senators are handling the proposal like a "hot potato". Mr. Clayton, Assistant Secretary of State, warned the Senate that the economic warfare predicted by Mr. Vinson, Secretary of the Treasury, if the Bill is not passed, would lead to friction between Britain and the U.S. on the Security Council of the U.N.

FINANCIAL TIMES
Friday March 8 1996

Shrinking GDP adds to German economic gloom

By Wolfgang Münchau in Frankfurt and Gillian Tett in London

German gross domestic product contracted by 0.5 per cent during the fourth quarter last year, according to data published yesterday.

The figures from the Federal Statistics Office add to the current gloom about the German economy and come a day after the Federal Labour Office announced another postwar unemployment record, with 4.3m people out of work in February, equivalent to 11.1 per cent of the workforce.

A survey from the European Commission yesterday suggested that the recent downturn in Germany was being echoed across the continent. Business and consumer confidence dropped last month in almost all European Union countries. Companies across the continent reported falling orders in both domestic and export markets. Consumers also became gloomier about their financial outlook, while fears of unemployment rose.

Yesterday's output data were widely discounted in financial markets, although several GDP components appeared to cause some surprise. These included the strong fall in inventory accumulation and a rise in private consumption. Some economists were puzzled by the 3.4 per cent rise in exports from the previous quarter, and the 5.5 per cent rise year-on-year.

The German economy grew 1.9 per cent last year. Output rose 1.6 per cent in west Germany and 5.6 per cent in the east, a significant slowdown.

Mr Hans Tietmeyer, president of the Bundesbank, told journalists on Wednesday that the German economy would be heading for a rebound later in the year.

He dismissed speculation in Germany that interast rates might soon be heading upwards, a comment eeen as a further indication that the Bundesbank may cut interest rates et some stage.

Mr Günter Rexrodt, economics minister, yesterday said: "There can be no question of a elide into recession or zero-growth for 1996." He called on employers and trade unions to renew efforts to create an "alliance for jobs", an initiative under which trade unions agree to reduce wage demands in exchange for job guarantees. The proposal, however, is now in danger of faltering as Gesamtmetall, the engineering employers' association, has demanded a 20 per cent cut in wage costs as a precondition for further jobs expansion.

The European Commission reported that confidence fell in Europe throughout last year. However, at the start of this year the decline eased slightly, fuelling hopes that sentiment might be changing. The Commission, together with most European governments, is insisting growth will rebound in Europe this year.

However, the figures for February showed sentiment was again falling, leaving it at levels last seen in early 1994. German, French and Belgium companies all reported weaker conditions. However, Italian and UK companies, which have hitherto been more upbeat, also reported a sharp fall in order books.

Japanese business body warns on budget deadlock

By William Dawkins in Tokyo

The Keidanren, Japan's leading business federation, yesterday warned that the economy would suffer unless the country's feuding politicians quickly ended their four-day budget impasse.

Mr Shoichiro Toyoda, the Keidanren's chairman, said any further delay "will shake confidence in domestic and foreign markets" and push up the premium which Japanese banks have had to pay to borrow funds abroad.

For the government Mr Seiroku Kajiyama, chief cabinet secretary, also warned that Japan's fragile recovery could be harmed by the slightest upset.

This is the first time a business lobby has voiced formal concern over the current budget deadlock, caused by the opposition New Frontier party's attempt to block a government plan to allocate Y685bn ($6.48bn) of public money to the liquidation of bankrupt housing loan companies, or *jusen*, an important part of official attempts to stabilise the *financial system*.

Unease spread yesterday to the equity market, where the Nikkei 225 average fell 284.03 points to 19,957.15, a seven-day low.

However, there seemed little prospect last night of early agreement on this year's Y75,105bn budget, as the ruling coalition and opposition plunged deeper into a tangle of allegations and procedural ploys.

Ms Takako Doi, speaker of the lower house of parliament, summoned senior officials of the NFP and the Liberal Democratic party, biggest of the three ruling coalition parties, in an attempt to restore parliamentary order. But NFP politicians continued their sit-in outside the parliamentary budget committee, an unprecedented protest in Japan's postwar parliamentary history.

The opposition meanwhile stepped up the pressure on the government yesterday by refusing to discuss the budget unless the LDP presented Mr Koichi Kato, its secretary-general, for parliamentary questioning over allegations of receiving an illicit Y10m political donation.

Mr Kato denied receiving the money, but a growing number of LDP members reportedly suggested that the NFP's demand to question him was a reasonable price to pay for achieving agreement on the budget.

In anticipation of continued deadlock, the government has started to draw up an interim budget. This was last needed two years ago, when the LDP itself delayed the budget to put pressure on Mr Morihiro Hosokawa, then prime minister but now in opposition, to disprove allegations of personal financial impropriety. That battle ended in Mr Hosokawa's resignation.

Transaction curbs, Page 6

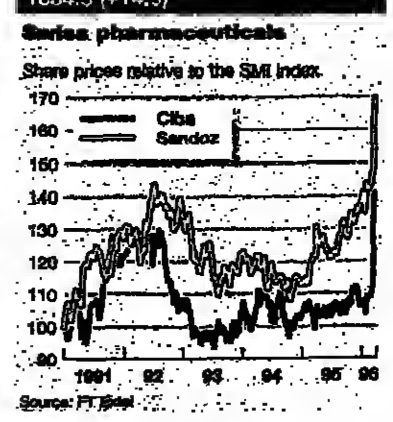
THE LEX COLUMN

Drug highs

The merger of Sandoz and Ciba is a staggering demonstration of how to create shareholder value: the combined market capitalisation of the two Swiss healthcare groups jumped by SFr18bn ($15bn) or 24 per cent to SFr94bn yesterday. Very crudely, the market has valued the expected cost savings of SFr1.8bn. Applying a 25 per cent tax rate and an earnings multiple of 15 times to those savings gives a figure of SFr20bn. This is a trick investors learned during last August's creation of Pharmacia & Upjohn, whose market value has risen 70 per cent in the subsequent six months.

That gives an inkling of how much value has yet to surface. The announced SFr1.8bn of savings over three years looks deliberately conservative. It amounts to 9 per cent of the cost base of Novartis, as the merged group will be called. This compares with the 12 per cent reduction targets of both Glaxo Wellcome and Pharmacia & Upjohn. Moreover, Ciba and Sandoz fit together very neatly. They have practically no competing drugs and Novartis will be world number one or two in pharmaceuticals, agrochemicals, nutrition and animal health products.

FT-SE Eurotrack 200: 1684.5 (+14.9)



There is always a risk that the merger could be derailed, as in the case of Ivax and Hafslund Nycomed. At first sight, the 45 per cent slice of the cake going to Ciba shareholders looks a little large, given Sandoz's bigger market capitalisation. But investors should bear in mind that Ciba is contributing its speciality chemicals arm, which is being spun off to the benefit of all Novartis shareholders. A clash of cultures is also a concern, though the strictly equal division of the top jobs is a good start.

The implications for the industry are dramatic. For the first time, two companies have merged out of choice rather than need. Ciba and Sandoz were strong on their own and expected to increase annual earnings by 11-12 per cent into the next century; but Novartis should manage over 16 per cent. The deal also shows that a merger – as opposed to a takeover – can add huge amounts to shareholder value almost instantly by avoiding tax and goodwill charges and preserving balance sheet strength.

Most significantly, perhaps, the coming together of two old Swiss rivals proves that previously "impossible" deals are starting to happen. Second rank companies like Zeneca and Schering-Plough will find it increasingly difficult to justify independence. Even mergers among giants like Pfizer and Glaxo cannot be ruled out. But the most glaring cases of hidden value lie in Germany's chemical giants: Hoechst's drugs business is as big as Merck's – its market capitalisation is a mere fifth.

European TV

Mr Rupert Murdoch's drive into continental European pay-television is back on track. Relations with his new partners, Germany's Bertelsmann and France's Canal Plus, have improved following his apology for the original statement on Wednesday from his BSkyB satellite group. In that, BSkyB jumped the gun by saying it was acquiring a 25 per cent stake in Premiere, Germany's leading pay-TV channel, from Bertelsmann and Canal Plus. Mr Murdoch has smoothed things over with the admission, in a second statement, that BSkyB needs the approval of all Premiere shareholders – including Germany's Kirch Gruppe.

Premiere is an important element of the Murdoch consortium's plans to launch multi-channel German pay-TV because of its existing 1.1m customers and rights to German football coverage. Gaining Kirch's approval may not be easy, given its plans to establish a rival multi-channel service.

Still, Kirch's veto may not be absolute. BSkyB may be able to acquire an indirect stake in Premiere, without Kirch's approval. Even if it cannot, Murdoch's consortium may still be able to include Premiere in its multi-channel package. The partners are hoping such threats will bring Kirch to the negotiating table.

The partners may also try to tempt Kirch with the promise of a stake in their new consortium. Forming a monopoly instead of competing against each other would clearly be better for profits all round. Whether it would pass the European Commission's scrutiny is another matter.

The big loser in Murdoch's pact is CLT, the Luxembourg broadcaster. Its high-stakes game of negotiating with Murdoch has backfired and it is now left without credible partners to launch its own pay-TV service in Germany. No wonder it accused Havas – the French media group which owns a stake in CLT but has now joined the Murdoch camp – of betrayal.

The new alliance will not launch services in the UK, as that is being left to BSkyB, nor France end Spain, where Canal Plus will have a free run. After Germany, the alliance's next target is likely to be Italy. Mr Silvio Berlusconi, the Italian politician end media magnate, should watch out.

Emu

The wranglings over the timing and conditions of European monetary union are just beginning. A month ago the Bundesbank warned of Germany's difficulties in meeting the Maastricht criteria, perhaps hoping to scotch the option of fudging the targets. But in today's Financial Times, e top Brussels civil servant – albeit writing in a personal capacity – advocates some laxity to allow for the effects of the economic cycle.

The Brussels view is not unreasonable, but it is bound to make the markets nervous. The perceived danger is that the political desire to push ahead with monetary union will lead to excessive laxity. It may be perfectly sensible to lower the hurdle slightly for Germany, since its economy is already in reasonable shape, but it could set a dangerous precedent – particularly if lower targets were accepted for debt and budget deficits. Since it would be impossible to apply lower targets selectively, other countries might later be able to stumble over lower hurdles before their economies are ready. This contingency could undermine confidence in a single currency from the outset.

In practice, this probably means that the scope for relaxing the criteria is limited. The Bundesbank may not be running the show, but it still has considerable clout, given the lack of popular support for Emu. Blaming Maastricht criteria for job losses is indeed a misunderstanding, which has been fostered by some national governments. But paradoxically, e willingness to delay Emu could force national governments to face up to the need for economic stringency, with or without Maastricht.

Lex comment on Wessex Weter, Page 26

Hamas funds

Continued from Page 1

last August of Mr Mousa Abu Marzouk, the leader of Hamas, on suspicion of terrorism.

Mr Yossi Beilin, e senior Israeli minister, said Israel hoped recent events would encourage Britain and other European countries to trace Hamas's financial network. Israeli military intelligence listed several organisations in Britain which they claimed were raising funds for Hamas.

Mr Michael Howard, the UK home secretary, yesterday denied the allegations and said the government was determined Britain should not be used as a base for promoting terrorism abroad. "In the case of Hamas, the police and the security service have seen no proof to support allegations that funds raised in the UK are used directly in support of terrorist acts anywhere," he said.

Shell oil find

Continued from Page 1

to replace its annual production with new discoveries.

Its exploration division has been drawn to Nigeria because the geology of the deep water areas is similar to that of the US Gulf of Mexico, where a series of discoveries have been made by Shell recently.

Banga One is the third well drilled in the new deep water blocks since international oil groups signed production-sharing contracts with the Nigerian government in 1993.

The blocks are operated by Snepco, a different Shell subsidiary to the operator which is already producing nearly 1m barrels of oil a day, about half of Nigeria's output.

Russian party chief shows charming face of communism

By John Thornhill in Moscow

Mr Gennady Zyuganov, Russia's Communist party leader and presidential candidete, hes launched e charm offensive. He likes team sports, has created a dish called Zyuganov potatoes (apparently fried), and is a habitual buyer of white roses for his wife.

In an attempt to present a more rounded face of communism, Mr Zyuganov broke with tradition by talking about his personal life and his conviction that all humans have the redeeming qualities of "faith, hope and charity", in an interview published yesterday in the Trud (Labour) newspaper.

Mr Zyuganov, who is leading the opinion polls, said it was senseless to pursue divisive politics and revive talk of reds and whites – epart from flowers – in Russia. Only if the country were united could it save itself.

"The name of our party should not frighten anybody," Mr Zyuganov said. "Our party differs greatly from the Communist Party of the Soviet Union. We recognise different forms of property, pluralism of views and freedom of religion.

"If you take the precepts of Jesus Christ and the moral code of the builders of communism then you will find there is much in common," said the mild-mannered Communist leader, who this week refused to condemn the repression of the 1930s on the anniversary of Stalin's death.

Mr Zyuganov impressed foreign audiences et the Moscow branch of the American Chamber of Commerce and at the World Economic Forum in Davos this year. And his party has also launched e charm offensive against Russia's new capitalist class.

But one senior Russian banker, who recently met the Communists, remained impervious to their blandishments and suspicious about their economic plans.

"The Communist party has not changed although some within the party might have done. I cannot understand why some people are so sure the Communist party does not threaten their business," he said. "Oil will still be pumped. Steel will still be produced but all the rules of the game will change."

RIA Novosti, an official news agency, hinted the Communists' meetings with leading bankers might conceal darker motives. Citing a "confidential source", the news agency reported that Communists had been talking to bankers, who are former members of the Communist Party of the Soviet Union, about renationalising certain industries.

A secret agreement had been discussed to assert state control over some commercial banks and transport enterprises, the news agency reported.

Some bankers fear a Zyuganov victory would paralyse business and stock market activity until investors saw which direction the new administration would take.

One bank chief joked recently that their 1996 financial year would end in June.

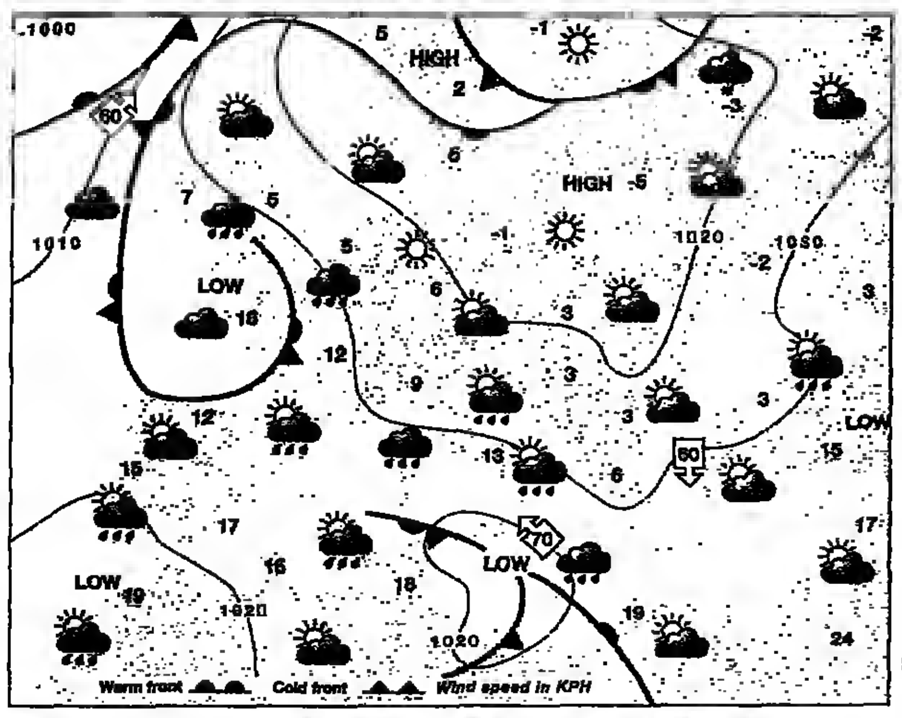
FT WEATHER GUIDE

Europe today

An area with cloud and periods of rain will move from the British Isles and western France towards the Atlantic. Scotland and northern England will become clearer. The Benelux and Germany will have abundant sun but strong easterly winds will make it very cold and dry. High pressure over Scandinevia and the Baltic states will keep northern end eastern Europe dry. South-eastern Europe will be chilly. Along the Black Sea coast of Romania, Bulgarie and Turkey, strong north to north-easterly winds will bring rain or enow ehowers. Greece and Cyprus will stay dry but Italy, Malta, the south coast of France and southern Portugal will have numerous showers.

Five-day forecast

High pressure over Scandinevia will move a cold north to north-easterly air flow from Russia to eastern and south-eastern Europe. Low pressure over the Atlantic will influence Iceland, the British Isles and the Iberian peninsula with periods of rain and strong winds. The mainland of western and central Europe will remain cold, dry and sunny with strong south-easterly to easterly winds. The Mediterranean will etay unsettled with occasional rain or even some thunder showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Metao Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	7	Caracas	fair	29	Faro	shower	17	Madrid	fair	14	Rangoon	sun	35
		Celsius	Belfast	cloudy	6	Cardiff	rain	6	Frankfurt	sun	6	Majorca	fair	15	Reykjavik	sleet	5
Abu Dhabi	fair	28	Belgrade	fair	3	Casablanca	shower	18	Geneva	fair	3	Malta	shower	16	Rio	fair	29
Accra	cloudy	32	Berlin	sun	2	Chicago	fair	-6	Gibraltar	shower	15	Manchester	cloudy	7	Rome	shower	14
Algiers	fair	18	Bermuda	shower	24	Cologne	sun	7	Glasgow	cloudy	7	Manila	fair	32	S. Frsco	cloudy	21
Amsterdam	fair	6	Bogota	shower	17	Dakar	fair	25	Hamburg	sun	6	Melbourne	fair	20	Seoul	cloudy	9
Athens	fair	10	Bombay	sun	33	Dallas	fair	11	Helsinki	fair	1	Mexico City	fair	25	Singapore	fair	32
Atlanta	fair	3	Brussels	fair	6	Delhi	fair	30	Hong Kong	fair	24	Miami	fair	24	Stockholm	fair	3
B. Aires	fair	28	Budapest	fair	4	Dubai	fair	27	Honolulu	fair	28	Milan	cloudy	9	Strasbourg	fair	6
B.ham	rain	5	C.hagen	fair	4	Dublin	rain	7	Istanbul	shower	5	Montreal	snow	-8	Sydney	shower	22
Bangkok	fair	36	Cairo	sun	20	Dubrovnik	fair	11	Jakarta	thund	30	Moscow	cloudy	-1	Tangier	shower	17
Barcelona	fair	13	Cape Town	fair	22	Edinburgh	fair	6	Jersey	rain	6	Munich	sun	1	Tel Aviv	shower	17
									Karachi	sun	33	Nairobi	fair	29	Tokyo	rain	14
									Kuwait	sun	22	Naples	shower	13	Toronto	cloudy	-8
									L. Angeles	sun	29	Nassau	shower	25	Vancouver	shower	12
									Las Palmas	shower	20	New York	fair	0	Venice	fair	9
									Lima	cloudy	28	Nice	shower	12	Vienna	fair	1
									Lisbon	shower	17	Nicosia	fair	17	Warsaw	sun	-1
									London	rain	7	Oslo	sun	0	Washington	fair	2
									Lux.bourg	fair	6	Paris	cloudy	10	Wellington	fair	17
									Lyon	fair	11	Perth	sun	35	Winnipeg	fair	-8
									Madeira	rain	16	Prague	sun	0	Zurich	fair	6